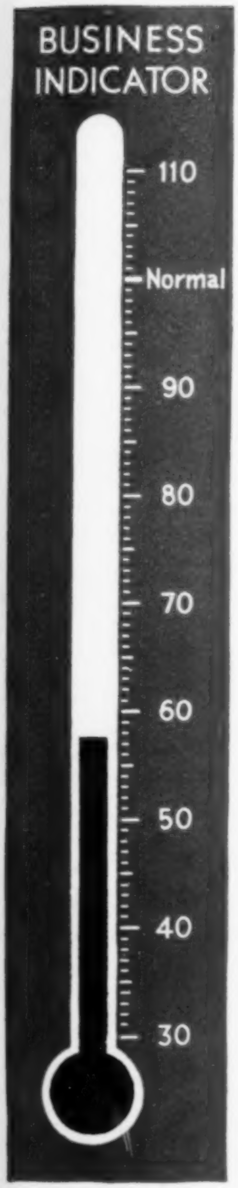
APRIL 20, 1932

THE BUSINESS WEEK



Although the second quarter got a bad start, so far as security markets and banker psychology are concerned, the business picture brightened a bit during the first week of April . . . . In spite of the croakers, a crocus or two stuck its head out of the sodden statistics, as usually happens in spring even though the ground is covered with discouraged worms drowned by excessive liquidation . . . . Merchandise carloadings and check payments improved, and, along with a slight increase in currency in circulation, may indicate a little spring pick up in trade . . . . After allowance for seasonal movements, power production, building, and steel activity stopped declining, although the sharp expansion expected in steel demand is still delayed by sales uncertainties and production difficulties in the automotive field . . . . Brightest among the spring buds produced by April liquidation is the promise of increased pressure toward credit expansion by more aggressive Federal Reserve open-market operations . . . . Repeated disappointments during the past two years caution us not to count this rose till it blooms, but the banking authorities had better fertilize this form of inflation fast and fearlessly if they wish to avoid the thorns that are bound to grow on the bonus bush and the other inflation bills that desperate debtor classes are backing in Congress . . . . Even abroad, in Britain, France and Germany, slight signs of improvement show that the hopefulness of spring has not altogether lost its spell . . . . But the air is still chilled by the reparations problem, other dead political issues, and corporation corpses ready for the undertaker.

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This Business Week:

Signs

Federal Reserve action toward credit expansion puts stars in the "What to Watch" table of indicators. *(p. 5)*

Washington

Corridors and committee rooms resound with talk of budget and bonus, banks and bears. Sooner or later, all debates get back to deflation and what can be done about it. *(p. 5)*

The new, improved, shatter-proof Glass bill is back in committee. Considerably modified, it stands a good chance of passing. *(p. 6)*

Marketing

Like the "piney" drug stores, Detroit's new "retail food warehouses" take every advantage of the times, undersell even the cut-price chains. The mighty A.&P. is out to teach them a lesson, Kroger may enter the fight. Caught in No Man's Land, are what's left of the independents. *(p. 9)*

Milk prices are souring rapidly in several cities. Demand is almost depression-proof, continues high. There are just more cows than babies. *(p. 9)*

Coal men, here and there, have stopped selling coal, turned to selling heat with automatic stokers and cellar service men. Householders set a thermostat, pay a flat rate; dealers build up a market. *(p. 10)*

Department store sales figures, just revealed, show the stores making more motions for less money. Many still squeeze out a profit; many don't. Despite "group economies," chains didn't do as well as individually-operated stores where executives are closer to the counters. *(p. 11)*

High-priced hatters have doffed their high hats, gone back to pre-war prices. *(p. 10)* Radio won't be ruled by the I.C.C. *(p. 11)* The newest consent decree has a loophole, industries suffering from over-production see a way out. *(p. 12)*

Wages

Buying power has been cut along with wages. Business needs to know how much and how deep. No figures, official or otherwise, can encompass a situation so big which moves so fast. *The Business Week,* in a sampling survey, makes a qualitative analysis which gives some idea. *(p. 13)*

Relief

So far, private and local agencies have cared for the casualties of the Great Economic War. Summer will see the end of their resources, the beginning of real trouble. *(p. 14)*

Housing

With 95 out of every 100 families making less than $2500 a year, builders, bankers, and business men believe that mass housing—with such a market—may be profitable as well as philanthropic. *(p. 16)*

Foreign

Europe just doesn't know when she's licked. After all these years of debts and deflation, confidence is still unshattered, hope still exists in the face of the coming crisis. *(p. 24)*

Frenchmen will express their dissatisfaction with the present regime by going Left in the May elections. However, a Frenchman—radical or conservative—is always a Frenchman: business as usual during altercations. *(p. 26)*

"You can't," say the Germans, "get blood from a turnip." Here's a close-up of the turnip by our Berlin correspondent which shows why Germany isn't going to be able to keep up payments on private debts. *(p. 30)*

Foreign events often have an effect on American interests abroad. A new feature of *The Business Week* keeps tabs on them. *(p. 32)*

Britain worries about the Danubian failure. Germany worries about Hitler. So does France. Business in every country is too busy watching events across the border. *(Survey—p. 33)*

Finance

The Insull crisis is a gigantic, but none the less typical, example of the plight of the security holding companies. *(p. 18)*

Bank closings are on the decrease; bank reopenings on the increase, since March have exceeded the closings in volume of deposits. *(p. 7)*

First quarter statements show how the banks have worked for liquidity. One has liquid assets which actually exceed the total of deposits and checks outstanding! *(p. 7)*

Insurance companies find policy loans are declining—which means more funds for investment. *(p. 8)*

Transport

The new rate-making bill may get through the House, but not the Senate. The railroads aren't too happy about it, anyway. *(p. 22)*

Ticket offices are bargain counters, these days. The roads are expanding their excursion fares to lure this extra traffic. *(p. 22)*

Annual reports, now appearing, show the railroads going more and more into truck and bus operation. *(p. 22)* The I.C.C. expects every bondholder to do his duty, carry his share of railroad trouble. *(p. 23)* European ship lines, hard put, resent the fare cuts recently instigated by American lines. *(p. 26)*

Figures

Basic indicators show little change; check payments pushed the Index up a little. *(p. 36)*

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending April 16, 1932

All "Issues" Lead Congress To the Issue of Deflation

Washington's talk of budget, banking, bonus, and bears finally shakes down to just that

WASHINGTON (*Special Correspondence*) —Congressmen talked chiefly about 4 things this week: taxes—with a few sotto voce words on the prospects of a tariff deal; governmental economy—accompanied by buck-passing gestures; the bonus; and the great bear hunt.

Some Congressmen thought chiefly about one thing: inflation. Those who didn't missed the salient issue of the week and probably of many weeks to come.

To those who know what it's all about the week's heavy thinking began when Governor Harrison of the New York Federal Reserve Bank faced the House's Banking and Currency Committee on Wednesday, not when Mr. Whitney of the New York Stock Exchange entangled the Senate's on Monday. Senator Brookhart's baiting of the latter was sound and fury signifying nothing in comparison with the questions that were faced by the spokesman for the Reserve system.

Essentially these questions come down to just one: whether we shall endeavor to pull ourselves out of the depression by due process of banking, or resort to a new process of law; rely on the beneficent workings of a liberalized Reserve policy, or remake prices to the inflationist's desire by Congressional decree.

Ordering Prices Up

Disappointed by the results of Reconstruction Finance operations and Glass-Steagall banking, the House discussed imposing a mandate on the Reserve Board to increase prices. Its Goldsborough bill would authorize and direct the board and the Federal Reserve banks "to take all available steps to raise the present wholesale commodity level of prices as speedily as possible to the level existing before the present deflation, and afterward to use all available means to maintain such wholesale commodity level of prices." And from another section of the depression front the soldiers (and their Congressional standard-bearers) advance a proposal to pay off the bonus by what their opponents call "paper money inflation."

Countering drives for these measures comes the news—from a Reserve Board conference with the governors of 12 Reserve banks on Tuesday night—that the Board had approved an increase in the open market purchase of government securities as one feature of an aggressive program to restore the normal flow of business. It was reported that such purchases will be stepped up from the rate of $25 millions a week for the past 7 weeks to one of $75 millions a week for an indefinite period.

To this the advocates of a definite price-raising policy—joined by those who are merely advocates of bonus payment—answer, "Too late" and "Too slow." Their obstinancy in the face of the Reserve Board's heavy technical artillery clearly indicates that, at last, in the long process of deflation, the point has been reached at which the issue is drawn, not between the deflationists and the "anti-deflationists," but between the inflationists and all the rest.

Meanwhile, the tax battle goes on in the Senate, though the only clear development in the situation this week is that the Senate, as usual, will not be hurried despite desperate efforts to make it speed up. Business and the stock market are feeling the effects of the delay and uncertainty.

Tariff Traders Alert

Injection of tariff issues into the debate on the revenue bill will mean the inclusion of log-rolling among the processes by which the Senate will arrive at a decision on that bill. Apparently there are not quite enough votes to put over the oil and coal duties already approved by the House. Hence, the necessity for trading.

Among products lined up to benefit by such trades are copper, wood pulp,

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes are marked with a ★ (see page 6 for details)

Indicators	*1932*	% *Change in a Week*	% *Change in a Month*
These should be earliest to show progress:			
Money in Circulation	Apr. 13	—0.6★	—1.8★
90 Stocks (Standard Statistics)	Apr. 14	—3.5	—24.8
40 Bonds (Dow Jones)	Apr. 13	—2.2	—10.2
Brokers' Loans	Apr. 6	—6.0	—13.5
Member Bank Borrowings from Federal Reserve (Bills Discounted)	Apr. 13	—1.1★	—4.9★
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	Apr. 13	+10.0★	+9.4★
Bank Suspensions — Number	Apr. 7e	+27.3	+7.7
U. S. Gold Stock	Apr. 13	—0.4	+0.1★
Member Bank Reserves	Apr. 13	+3.6★	+4.8★
These signs should follow promptly:			
Total Loans and Investments of Weekly Reporting Member Banks	Apr. 6	—0.9	—0.7
Fisher's Wholesale Price Index	Apr. 8e	—0.6	—1.7
The Business Week Index	Apr. 9e	+3.1★	—1.7
Employment — Manufacturing (89 industries)	February	....	+1.2★

e—Week Ending

The Business Week

lumber, shingles, textiles, jute, sugar. The copper bloc is particularly strong.

While the Senate postpones the politically ticklish job of raising money all Washington debates the problem—also politically ticklish—of saving it by cutting government expenses. Amid all the talk of wage cuts and wageless furloughs, some of the Democratic leaders are having a private cry over the fact that they did not take the President up on his original proposal that Congress give him full power to make transfers, consolidations, and changes so as to effect economies.

Problem for Politicians

This "surrender" would have put him in a hole. The resultant demonstration to the country of the futility of even a dictatorship when confronted by political influence might have dispelled the last lingering idea that Hoover, the big business executive, is just the man for the place. Thus say Democrats who overlook the possibility that the President might have "got mad," ignored the political and personal pressure and actually accomplished something—including capturing the imagination of some millions of voters whose attention has been transferred from their political friends to their own empty purses.

There is a suggestion in the sudden and unexpected grilling of Mr. Whitney that the President did "get mad" last week. As an attempt to send the shorts to cover and thereby halt the market's plunge in mid-air, the maneuver met with little success. Nor did it succeed in pinning very much on the bears. Mr. Whitney had a lot to say about liquidation and his inquisitors found it difficult to get around that defense. The best explanation of the show that Washington has arrived at to date lies in what it has to say about the sense of frustration expressed by government leaders working for "reconstruction."

Senator Brookhart is convinced that he prevented a "Black Saturday" and waits eagerly for the names of the bears to be revealed on Mr. Whitney's next appearance in Washington. The President may be less convinced but he is clearly in a temper to punish any market operator whom he can find responsible for thwarting his plans for bringing back prosperity—even any Republican.

Reserve Action Boosts The Critical Indicators

"What to Watch" indicators were fundamentally more favorable than in the preceding week because of evidence of more aggressive Federal Reserve action toward credit expansion.

The declining figures of currency in circulation continue encouraging from the banking standpoint, but are not as important at the moment as they were when an increase in outright hoarding was evident, and probably reflect slack retail trade. The low level of bank suspensions, despite the slight tendency for them to increase in the past two weeks, supports this interpretation.

Greatly increased purchases of securities by the Reserve Banks provide the outstanding feature of the week's figures. This reflects a recent decision of the Reserve Bank authorities to encourage and even compel credit expansion by member banks. It has made for further large increase in the reserves of member banks and marked decline in their indebtedness to the Reserve Banks, thus putting them in a more liquid condition. The New York banks are not only out of debt to the Reserve Banks, but have large excess reserves with them. This is reflected in increased buying of other than government securities by the member banks, and should normally be a forerunner of improvement in the bond market and of expansion of credit, beginning in New York and other larger cities.

Total loans and investments of member banks for the week ending April 6 have not yet shown the effects, largely because the liquidation of security and commercial loans and sales of government bonds to the Reserve Banks have more than offset purchases of other bonds. But the process of piling up reserves of member banks as the Reserve Banks continue to buy government securities in the market should lead to a reversal of credit contraction if continued. This process has been somewhat offset by an outflow of gold, but the amount is not sufficient to check it as yet, and the Glass-Steagall bill has put the Reserve Banks in such a position that this factor is of minor importance now.

Drawn to Meet Federal Reserve Ideas, New Glass Bill May Pass

Greatly modified to meet the objections of the Federal Reserve Board, especially in its deflationary features, the Glass bill revising the Federal Reserve system now seems assured of passage. Senator Glass presented the new measure, containing the compromises worked out with Governor Eugene Meyer of the Reserve Board, to the Senate Banking and Currency Committee on Thursday.

Among important concessions made by Senator Glass was the elimination of the provision requiring an increase in reserve requirements. Many bankers feared this provision would drive a considerable percentage of banks out of the system. The bill now leaves reserve requirements unchanged—a real compromise, since the new bill embodies neither the Glass ideas nor those put forward by the Reserve Board.

Another concession was elimination of the 15-day loan restriction. Also the restriction of real estate mortgage loans and the provision in the first Glass bill making security loans more difficult.

Th new bill provides for state-wide branch banking and for branches not to exceed 50 miles beyond state lines, regardless of state laws covering branch banking. Senator Glass originally proposed to permit branch banking by national banks only in such states as had laws permitting it.

The Reserve Board's recommendations respecting group banks were adopted practically intact. The bill now contemplates bringing all members of group banks into the Federal Reserve system. The group holding company would be required to set up a fund of 25% of its holdings in bank stocks so as to insure greater liability. The original Glass proposal was for a guarantee fund of 100%.

Bank affiliates are to be supervised for a 3-year period, at the end of which they must be entirely separated from the parent institution.

Glass's provision for punishment of bank officers and directors disregarding warnings of the Reserve Board or the Comptroller is kept in the bill.

Reserve Board recommendations were adopted giving wider powers to the board to act against banks whose operations are held by it to be contrary to sound banking policy.

The liquidating corporation provision remains in the bill with some minor changes desired by the bankers, especially in that the new provision would require smaller contributions from the banks and a federal appropriation.

Trend Lines Meet: Bank Failures Going Down, Reopenings Up

Since late March the reopenings have exceeded the closings in amount of deposits involved

BANK suspensions have been decreasing sharply. March closed with only 32 failures, the second lowest monthly figure in 4 years. During August, 1929, there were 17 suspensions. April reports to date are encouraging with only 16 institutions going out of business. The principal factors in the reduction recently have been the Reconstruction Finance Corp. and the Glass-Steagall bill.

Reopenings of closed institutions have been increasing. In February, March, and April (to date), 75 institutions reopened, more than 40% of the number (187) which closed during this period. In January, before the organization of the Reconstruction Finance Corp. and the enactment of the Glass-Steagall bill, 372 banks closed and only 17 reopened. Since the latter part of March, closings have been nearly equalled in number, and considerably exceeded in the amount of deposits involved, by reopenings.

The quarterly report of the Reconstruction Corp. as of Apr. 1, states that 858 banks and trust companies have been helped with $158,182,242, including funds to aid in reorganization or liquidation of closed banks. In the future loans are to be made at a more rapid rate than in the past. Banks will, therefore, benefit to an even greater extent than heretofore.

In Illinois, Indiana, Iowa, and Wisconsin the practical elimination of bank failures has been due to the Reconstruction Corp.'s putting into this section from $60 millions to $100 millions. One-third of the number of loans made by the corporation has been approved for these 4 states. Several banks have been rescued from emergency runs; in one case between $1½ millions and $2 millions were transferred to a bank threatened with extinction.

Some banks have maintained abnormal liquidity through fear of impairing their assets; others have stopped doing business because their assets have become frozen. Any remedial effort must accomplish 2 things; restore confidence, and make marketable the securities which banks hold. The Reconstruction Corp. has the power to do both.

Obviously the main cause of the credit strain lies in the fears of bank depositors. By preventing suspensions, encouraging reopenings, the corporation should be able to convince depositors that their money is safe. This is counted on to draw back hoarded currency now obstructing credit flow and impairing the ability of the banks to assist and encourage business.

Acme

BONUS PRESSURE—*Only a thousand veterans paraded up Pennsylvania Ave. to the steps of the Capitol, but it looked like a lot of votes to members of Congress now faced with another bonus bill decision*

Bank Statements Show The Liquidity Strain

FIRST-QUARTER bank statements show increased holdings of cash, U. S. government securities, and other highly liquid short-term investments.

Continental Bank & Trust Co., New York, probably holds the liquidity record. Its recent published report shows liquid assets of $42,512,271, against $39,095,539 deposits and outstanding checks. This is about 109% liquidity.

Normally, 50% of quick assets to deposits and immediate obligations is considered satisfactory. Of course, times are not normal. A quick position of as much as 85% is being maintained by some banks. The average large New York City bank is about 70% liquid.

Country Bank Earnings

Such earnings as were garnered by country banks in the first quarter came only after the most difficult kind of struggle. They represent harder work, greater economy. Incidentally, they fell off considerably more than dividends, so far as can be concluded from the inadequate measurements as yet available. The slump has been due largely to increasing losses and depreciation. Bank gross income was fairly well sustained. Expenses showed a considerable decline.

Earnings of New York banks held up well. In every instance to date they exceed dividend requirements. Most of the institutions, nevertheless, continued to show sharp declines in deposits.

The large Chicago Loop banks made a fair showing despite a rather general shrinkage in deposits and in loans and discounts. Expenses were scaled down

all along the line. Loop banks have secured relief from strain caused by financial difficulties elsewhere in the Middle West.

Insurance Hopes Go Up As Policy Loans Go Down

LIFE insurance policy loans are decreasing, according to statements made to *The Business Week* by leading companies. Except for a slight rise early in February, they have declined steadily since the first of the year.

Insurance men interpret this to mean that policyholders are less in need of funds, a favorable indication. Likewise, the release of these funds points to an expansion of investment.

Policy loans are a matter of great concern to life insurance companies. Experience has shown that borrowers too often become ex-policyholders. It is easy to borrow, hard to pay up, and the temptation to wipe out the loan and the payments by cashing the policy is great.

Replacement of lapsed policies by new business is expensive, represents a loss of funds available for investment due to production costs of lapsed policies and high initial costs of new ones.

Increased demand for loans in recent years has seriously reduced available investment funds. Figures compiled by the Association of Life Insurance Presidents show that borrowings on life policies went from a normal of about 12% of total assets to a record figure during the last two months of 1931 of approximately 16%. While new policies were being written regularly, the aggregate amount available for investment steadily declined.

Policy loans went over the billion-dollar line in 1924, were only a little less than three billions at the close of last year.

More funds for investment will permit life companies to take advantage of low security prices and lower costs of doing business, increase their average yield on investments.

Intercoastal Shippers Prefer Control to Chaos

STRANGE as it may seem, most shipping men want government regulation or, at least, prefer it to the chronic state of chaos in the intercoastal trade.

The recent hearing before the Senate Commerce Committee revealed that the carriers have no illusions about the success of the new intercoastal agreement which went into effect last month (*BW—Mar2'32*). Spokesmen for large shipping interests not only expressed approval of the proposed government regulation but said that the revised bill, providing merely for the maintenance of uniform rates, was not enough, and asked for more stringent control. The Shipping Board had originally proposed for intercoastal carriers practically the same kind of regulation as that of the railroads, but the Senate Committee decided that this was not advisable.

The shipping men also declared that the bill could not be made effective unless industrial carriers are either excluded from the field or also placed under regulation.

The only strong opposition to the proposed intercoastal shipping control has come from small ports and coast cities planning port developments, which fear that federal regulation would tend to concentrate shipping services in the larger ports. Opposed too are some of the smaller intercoastal operators, also the Mississippi Valley Association, which believes that the trend of regulation invariably is toward higher rates.

New Rail Tires Will Be Goodyear Tires

EVIDENTLY convinced that pneumatic tires will find increasing application on railway cars, Goodyear Tire & Rubber Co. has obtained a license to manufacture such tires under basic patents of France's Michelin & Cie.

Construction of "rail tires" differs materially from that of ordinary automobile pneumatic tires in that provisions must be made for preventing rail bolts, signal devices, frogs and switches being sheared by the steel guiding flange of the wheel in case of tire deflation through puncture or blow-out.

In the original Michelin rail tire a wooden core is bolted to the center of the rim, around this the pneumatic tube folds, and upon it the wheels "ride" when deflation occurs.

To provide greater safety and permit higher speed the tube used on the American Budd-Micheline cars (*BW—Mar2'32*) and now to be manufactured by Goodyear, is manufactured with a continuous internal rubber rib, sufficiently wide and strong to permit continuous travel for considerable distance after deflation without danger or damage.

Wide World

ECONOMY HUNTERS—*Representatives Douglas, McDuffie (chairman House Economy Committee) and Byrns (chairman House Appropriations Committee) leave the White House after a conference with the President on the difficult and delicate problem of reducing federal expenses*

Now Come "Warehouse" Stores To Threaten the Food Chains

Like the "piney" drug-stores, they capitalize distress merchandise, low costs of the times

NEWEST of the "children of the depression" are the self-styled "retail food warehouses" which have sprung up in Detroit. There are now 5 of them, all located in suburban districts where rent is cheap, parking space ample, population dense. They appeal chiefly to the wage-earners whose part-time pay must be stretched to cover as much groceries as possible.

Already, they have seriously affected retail food selling in Detroit. Even the mighty chains have felt the price-stabs and retaliated in kind.

The Canners Warehouse was the first. It opened within a few blocks of the Ford plant in Highland Park, undersells even the Ford commissary where Ford employees obtain special price concessions. It advertises itself as the "world's largest grocery store," claims to sell fine goods at carload prices, eliminating the middleman's profits.

"Super-Super"

With this "super-store" the talk of the city, it was not long before imitators arrived. Opposite the City Airport, on the main highway to the northeastern section of the city, arose the Packers' Food Warehouse, priding itself on its 22,000 square feet of floor space, parking area for 2,000 cars, its 100-foot meat counter with 50 butchers. It, too, advertised food direct from the canner, packer, and grower to the consumer, claimed 42,000 customers the opening day. Other so-called "retail warehouses" have been established on Detroit's East Side and West Side.

Prices are sensationally low. Milk is 6¢ a quart, bread 3½¢, eggs 14¢ a dozen, No. 2 cans of vegetables 6¢, ham 15¢ a pound.

Wherever these warehouses have opened up, 15 to 20 retail groceries within a short radius have been forced to fold up. A.&P. stores have fought fire with fire, conducted a "Gigantic Food Sale" using much the same advertising and price tactics as the warehouses. Independent grocers are afraid that if the fight becomes more severe and Kroger jumps in, they will be crushed between the two forces.

In order to survive the economic competition, most retail grocers in Detroit have been compelled in self-defense to ally themselves with one organization or another. A.&P., Kroger, and C. F. Smith are the main chain stores. The independents have formed several groups: the Checker Grocery Stores, Progressive Grocers, Red and White Grocers, and the Goodwill Grocers. There is still another group of independents which have remained independent, except that most of them have allied themselves with the Home Defense League. There are about 1,100 stores in each of these three major divisions, or a total of 3,300.

The Home Defense League (child of C. V. Fenner, deep-voiced terror of the chains: *BW—Oct7'31*), of which 850 retail grocers in metropolitan Detroit are members, charges that some wholesalers who recently promoted a Charity Food Show in Detroit and who attempted to force retailers to buy food show tickets, "are secretly opening so-called food warehouses to sell direct to the public in competition with the retail merchant." It charges also that these warehouses do not buy direct from the producer, but purchase distress goods, much of them on consignment; that they misrepresent the quality of their merchandise in their advertising.

The League is now conducting a "Buy Michigan" campaign. The sign, "Michigan Food Products," is being displayed in 1,000 independent stores in and near Detroit, a publicity campaign is being conducted over WJR, Detroit radio station. Each can of Michigan products bears the label, "Make Michigan prosperous—a product of Michigan farms, labor and capital—sold by an independent Michigan merchant—Home Defense League."

These Local Milk Wars Require More Than a Local Explanation

Real reasons lie in farm prices, dairying trends, the "cow cycle" and other factors beyond local control

MILK price wars have broken out anew in several New England cities, are the subject of grand jury investigation in Cincinnati, Ohio, are smouldering in the "milk sheds" of several large cities, but have been at least temporarily adjusted in the Cleveland and Buffalo areas, while "producers" and distributors alike are wondering what can be done to restore some semblance of stabilization.

Producers who are members of dairymen's leagues, farm cooperatives, and other organizations charge that independent producers cause most of the trouble, while independents reverse the charge. Milk distributors in the large cities hold that disturbance generally starts when independent producers, acting either singly or in small groups, seek markets for their output among smaller distributing units, local chains, independent stores at lower-than-market prices, which the larger companies are then forced to meet.

Actually, present conditions in the milk producing and distributing industry have been precipitated by circumstances over which present producers have had little and distributors no control, have been aggravated by prevailing economic conditions, cannot be expected to improve until some of the basic causes are removed.

Milk enjoys the most uniform, steadily growing market of any food product, has made dairy farming, particularly within the "milk shed" of a large city, a most profitable enterprise under normal conditions. Farmers know in advance the price they will receive for their product up to a certain maximum of supply, while seasonal surplus production is generally sold by them to the same distributor for use in other dairy products at somewhat lower prices. Checks for milk sold by the farmer are sent regularly once or twice a month and thus give him a steady and dependable income in ready cash.

Prices on other farm products have gone down steadily during the last 2 or 3 years while, due to the practices of commission men, to freight charges and

other expenses incidental to marketing, producers seldom know how much they will receive in actual cash for what they ship. Many farmers have gone into dairying to avoid such uncertainty and insure more uniform returns, thus increasing actual production in a field, already suffering from overcapacity.

Further aggravating the situation, the so-called cow cycle, ordinarily of 15 to 17 years' duration, is approaching its peak when the supply of milk cows is at maximum while prices on beef for slaughtering are low, causing farmers to retain otherwise useless animals for such milk as they may produce because it would not pay to ship them for slaughtering. According to government statistics there are at present 10% more cows in this country than at any time previously, while latest prices for "cutters" (milk cows sold for slaughtering) are at an almost record low—$2.75 to $3.75 per 100 lbs. This means that, after deduction of commission, freight, stockyard charges a farmer gets from $5 to $10 per animal.

Those familiar with conditions in the field hold that any permanent stabilization cannot occur until producers discard cows that are no longer economic producers, raise fewer heifers, bring production capacity into better balance with normal consumption. They point out also that dairy products, while enjoying unusually stable markets have, nevertheless, followed the downward trend of prices, cannot bring producer or distributor the same ratio of profits as existed in boom times.

Average prices paid producers for liquid milk have dropped 30% to 40%, retail prices in many territories are 50% under former peak levels.

Meanwhile, consumption of milk has been affected less by present economic conditions than that of any other food products, averages 0.6 pint a person in cities—0.88 pint in the most densely populated city areas—while annual per capita consumption of dairy products, according to the latest government estimate, is equivalent to 55.3 gallons of whole milk.

Other Attempts to Aid

Various attempts are under way to improve conditions of milk producers in various areas. Dairymen from New York state, Pennsylvania, and Vermont are discussing a vast protective organization. In the Boston area, under the guidance of the Governor's Dairy Advisory Board, a uniform milk contract is being prepared which would give all producers a uniform wholesale price and incidentally raise milk prices 1¢ per quart. After May 31 Connecticut will renew no licenses for dealing in milk produced outside the state. Rhode Island prohibits "foreign" milk and New Jersey has proposed legislation that would require time and place of production to be marked on containers of milk shipped into the state.

"Heat A Home for So Much," Coal Men's Best Answer to Oil

Shoveling coal and ashes is no fun. Householders do not buy oil and gas, essentially. They buy convenience, and are willing to pay for it.

Somewhat belatedly, coal men here and there have awakened to this fact, and are attempting to turn it to their own advantage. They have stopped selling coal, and are selling heat. Begun in Lowell, Mass., 4 years ago, the scheme spread further last winter; indications are it will be rather widely adopted for the coming season.

The coal dealer installs an automatic stoker in the home, supplies a man to fill it and remove ashes. The homeowner sets a thermostat and pays a flat rate per ton or per season.

Anthracite men are specially interested in this new marketing plan. Hard coal's best market is the home; oil, gas, coke, and even bituminous have cut its sales from 84 million tons in 1926 to 59 millions in 1931. With stokers, there is the added advantage that small sizes of anthracite, half as expensive as big ones, can be used.

Anthracite has got to hold the domestic market. Bituminous stokers which eliminate smoke are crowding it out of industrial plants that have clung to it because it commits no smoke nuisance.

The pioneer, Horn Coal Co., of Lowell, Mass., has 80 customers buying service on a flat per ton basis. A group of Rochester dealers joined in offering home heat service last fall; they report success.

Pittsburgh Coal Co., using bituminous, offers to keep St. Paul and Minneapolis rooms at a specified temperature throughout the season at contract price, the homeowner need never visit the basement.

Pocahontas sponsors a similar plan in Cleveland; Berwind-White has been experimenting with it in New England. Weston Dodson & Co., Inc., is reported to be offering to help its dealers finance stoker sales to retail customers.

Stokers have been selling fairly well, but not fast enough to save domestic coal markets. Progressive elements in the coal industry believe it is up to them to promote stoker sales much as the electrical industry has been responsible for pushing sale of domestic appliances. Industry backing might cut stoker costs and facilitate consumer financing.

In most heat service plans, the stoker becomes the property of the homeowner after so many years. Even while its cost is being amortized, it is asserted the fuel economies keep the total bill down to what the home operator of an anthracite furnace has been used to paying.

Haberdashers Pull Down Their Best Hats

Boom prices have lost their last foothold—or headhold—in the men's apparel field. With the fall offering of its 1932 line on July 1 the John B. Stetson Co. will return its $7.00 popular-grade headpiece to the pre-war price of $5.00. Similar reductions all the way up end with its top-price number cut from $50 to $40.

Stetson, always known as a maker of high-grade hats, has found its sales affected by many adverse factors in recent years. Chain hat and haberdashery stores have taken much business from the independent and snootier men's shops which form the major outlets for other than popular-priced hats. Large department stores that cater to credit more than cash prefer to sell high-priced headgear under their own labels to gain a longer profit. Since the world war formality in hats has practically disappeared and style changes have not been sufficiently pronounced to force other than ordinary replacement buying.

Sales of the Stetson Co. have dropped from their peak of $15½ millions in 1926 to less than $7 millions for the fiscal year ending Oct. 31, 1931; are expected to be stimulated materially through the price reductions just announced and by depression-postponed replacement buying expected with the waning of 1932 straw hat season.

Meanwhile Stetson's chief competitor in the high-grade hat field, Knox Hat


Underwood & Underwood

A MINE OPERATOR TESTIFIES—*Charles F. Hasford, Jr. (right), president, Butler Consolidated Coal Co., Pennsylvania, tells the Senate subcommittee what he thinks of the Davis-Kelly bill to stabilize the coal industry. Listening (left to right) are Senators Hatfield (chairman) and Davis, Representative Clyde Kelly of Pennsylvania*

Co., is attempting to organize a new manufacturing and selling company out of its more or less involuntarily acquired affiliates (*BW—Dec21'31*).

One large holding company is to control the fortunes of Knox, Dunlap, Dobbs, Disney, Cavanagh, Knapp-Felt, Berg, Hodshon, and Finchley hats, proposes to maintain individual styling and manufacturing facilities for each of the units but to combine such functions as will promote the greatest economy of operation for what then will be the largest single factor in the hat industry.

Radio May Be Ruled But Not By I.C.C.

WITH unconscious humor, the Interstate Commerce Commission refuses to regulate radio on the ground that broadcasting is not "the transmission of intelligence by wireless."

Technically, this refusal of jurisdiction is not official. It takes the form of a recommendation by Examiner Cheseldine that the case brought by Sta-Shine Products Co. against Station WGBB and the N.B.C. claiming unreasonable rates and rules be dismissed.

Practically, the I.C.C. usually follows the recommendations of its examiners. It is expected to confirm the finding that broadcasting, lacking a "person-to-person" forwarding and delivery service, is not interstate commerce within the intent of the law.

"Yankee Ingenuity" Still at Work

TRADITIONAL Yankee ingenuity has not been taking a vacation during the depression; rather it is working harder than ever. Impressed by the fact that 48% of those replying to the New England Council's expression ballot (*BW—Feb2'32*) cited "new products" as a source of increased earning for 1932, the Council asked for more information.

Replies were received from 105 manufacturers. New products now on the market were described by 65; products in the research stage were reported by 14; 8 had new items in the course of manufacture; the remainder reported new styles, packaging, uses.

In the April issue of the *New England News Letter*, the new products are listed; 55 named New England concerns have developed 110 new products ranging from a line of dolls' apparel to sell for a dime to steel-frame portable "bleachers" for sports events indoors or out. In addition to developing brand new products, many of these companies have also improved and expanded their regular lines and in general have shown surprising initiative in trying to beat Old Man Depression.

Department Store Records Show The Weak Link in the Chain Idea

In these times local initiative and control seem to count more than mass buying and "group economies"

MANY important department stores have escaped red-ink figures for 1931 operations, despite the fact that drastic price reductions and an excessive demand for low-priced merchandise during the first half of the year materially increased the number of transactions per sales dollar.

More aggressive merchandising practices, stricter expense control, improved methods, and greater efficiency of sales personnel contributed.

Available performance statements include 13 large department stores in important cities and 9 organizations that operate from 2 to 27 such stores.

During 1930 all but 2 of these showed a net profit on operations, while during the more strenuous 1931 only 13 companies showed a net profit (totalling over $13 millions) and 9 went into red for an aggregate total of $10¾ millions.

Among the group operators May Department Stores, with 6 units, shows a decline of 8% in sales volume, 46% less profit than in 1930, retains the distinction of being the best profit-earner in this class. National Department Stores, Inc., with 19 units, Hahn Department Stores, Inc., with 27 units, Consolidated Retail Stores with its multiplicity of interests, all showed more substantial declines in sales volume, red-ink figures for 1931 operations.

Interesting is the fact that in a group of 9 individually operated department stores which reported approximately the same sales volume as these 4 nationally operating groups each succeeded in earning a net profit on operations although the group showed a total decline of 40% in net.

Those familiar with the operation of

the more extended chains of regular department stores hold that, under prevailing conditions, an important portion of the advantages of mass buying and large-group operations is dissipated in markdowns and loss of flexibility, claim that constant supervision by executives of final control is at present absolutely indispensable to profitable operation.

Performance records of several stores known to be under extremely able management support this theory.

R. H. Macy & Co., reporting the largest sales volume $144 millions, only 2.14% under 1930, with individual transactions increased from 54 millions to 61 millions, or 13.23% greater, shows a decline of only 20% in net profits. That the Macy cash-selling policy is not entirely depression-proof is, however, indicated by the fact that sales of the Macy store at New York account for the company's total loss of volume, while its affiliate, the L. Bamberger & Co. store at Newark, N. J., still doing a credit business, actually showed a slight increase in dollar sales.

Profit Percentage Holds

Best & Co., another New York department store, considered to be under exceptionally able management, reported a decline of less than 15% in dollar volume, net profits similarly down, but still representing better than 6% on sales.

Wm. Filene's Sons Co., Boston's efficient merchandisers, show 1931 sales only 8% under 1930, profits almost 30% lower, with the 1931 inventory 25% less than at the end of 1930.

Other well-known department stores such as Abraham & Straus in Brooklyn, Bloomingdale Bros. in New York, Broadway Department Store in Los Angeles, Emporium Capwell Corp. in San Francisco, and Outlet Co. in Providence, ended '31 with operating profits.

Advantage of individual control is particularly reflected in the amount of inventory carried by these companies. This shows average reductions of 26% for the group, resulting in materially increased ratios of turnover for each. Average inventory reductions for the group of nationally operating chains is but 9% in dollar value or actually substantially less than the average of price reductions, thus indicating an increase in tonnage or units carried.

Due to a 24% drop in sales volume, from $150 millions to $114 millions, Marshall Field & Co., up to 1931 the largest factor in the field, surrenders first place to R. H. Macy & Co. Incidentally, Field shows nearly the same loss in dollars as Macy shows profit.

However, it points out that operations outside its regular business, its 13 affiliated dry goods stores contributed materially to the loss.

Award for Initiative —Also for Discretion

MANUFACTURERS are interested in the award of the 1931 prize of the Association of American Trade Association Executives to the American Paint and Varnish Manufacturers Association. They are more interested in the fact that the Secretary of Commerce, as chairman of the jury making the award, also made a presentation speech which contains substantial endorsement of trade association activities which, when improperly controlled, are readily susceptible to such expansion as has on some occasions become the subject of governmental censure. Mr. Lamont cited the association's "comprehensive program," its "Unfair Competition Bureau," its provisions for arbitration.

This Consent Decree Seems to Consent

WHILE the Chicago meat packers, fighting strenuously to get out from under their famous consent decree, are awaiting the decision of the U. S. Supreme Court on their most recent attempts in that direction, other important consent decrees are going on record. An unusual one just signed in Chicago is more significant for its exceptions than for its prohibitions.

It specifies that the Corn Derivatives Institute shall be dissolved and enjoins its 15 members from fixing prices or terms; changing them in concert; discriminating among purchasers for the purpose of eliminating competition; cutting or manipulating prices for the same purpose; coercing or inducing manufacturers to cooperate in any plan to limit production; allotting customers; preventing others from entering the field; and prohibits numerous other carefully-described practices considered illegal.

That is familiar gospel. Less familiar, more interesting are those sections of the decree which specifically state that these manufacturers are not thereby prevented from exchanging either directly or through a committee or other agency information regarding the financial or moral responsibility of manufacturers or dealers; that they may associate "amongst themselves" for the purpose of collecting, compiling or distributing statistical information as to production, stocks on hand, prices, terms, conditions, concessions, exceptions or transportation charges in purchases or sales which have been made, when not to restrain trade.

These sections are being read with special attention by members of industries now suffering from extreme overcapacity who see a way out through collection and exchange of data that will permit a better balancing of actual production and possible distribution.

The Business Week

THERMOMETER LEASE—*George W. Traver (left), president Traver Paper & Mfg. Co., Chicago, goes the percentage lease one better. His lease to A. F. Byers is based on the Business Week index; rent increases as business activity, registered on the "thermometer," goes up*

After the Wage Cuts, What's Left to Spend?

Business needs to know, figures don't tell, a sampling survey gives an idea

WHAT is the truth about wage cuts? The answer is vital to every executive who has anything to sell in the American market.

Business knows and statisticians admit that government figures are incomplete. They err on the brighter side when taken as a measure of the entire situation. There is no desire to deceive in those who harvest and winnow Uncle Sam's estimates. The size of the task makes impossible the gathering of complete statistics. In the case of companies, those reporting usually are the largest, best managed units. Uncounted are thousands of small concerns of less financial vitality, and it is here that necessity or avarice induces the most drastic slashes. Also, in the case of companies reporting, human nature would cause the presentation of cuts in the most favorable light.

Labor's Lost Dollars

The U. S. Bureau of Labor Statistics reports per capita earnings in 89 manufacturing industries for February this year as 17% under February, 1931. There is no telling how much of this is due to cuts in rate and how much to cuts in time. William Green, president of the American Federation of Labor, estimates the 1931 buying power of wage earners as $11 billions below 1929, which would mean a 16% cut in the entire retail trade of the country.

Necessity knows no wage scales. In districts where the union rate for painters may be down to $1 an hour, one can get painters (unofficially) at 75¢ an hour. This weakens the unions. Long Island employers are operating at wage rates 33% below union scales. New York, Boston, St. Louis are the only large cities that have stood off the general drive against lower wages. February saw the greatest number of building wage cuts for a single month since 1922.

The Department of Agriculture furnishes some hard-boiled facts as to what has happened to agriculture—which represents 10½ million buyers of manufactured goods. From last January to Apr. 1 (when there should have been a pickup), farm wages declined 4%, are now 25% below last year. Countrywide average of wage with board per month is $19.19; without board $29.13. Excepting only the last figure, wages are below the 1910-14 figures. Return to the farm is signalized by many reports of men working for their room and board alone. Most of the increase in farm hands was unpaid family labor which rose from 217 persons per 100 farms on Jan. 1, to 230 in April.

Printing Trades

Printing trades have held up unusually well in official figures. Indications that the truth is not so felicitous is found in a statement of an official of the American Newspaper Publishers Association. He points out that in 60 cities outside the large centers union compositors' wages have been reduced $1.50 to $5.00 a week. In only 2 were hours reduced. Wage reductions in printing trades employed on newspapers both in and out of the association exceeded 400, range from 3% to 16% below rates prevailing when the depression hit. Negotiations toward reductions are pending in New York, Boston, Pittsburgh, Cleveland, Buffalo, Chicago, San Francisco, Oakland, Los Angeles. A readjustment is pending in Detroit. Some local unions in smaller cities have "confidential arrangements" below existing contracts.

No Longer Reluctant

Up to last August employers tried to make a good showing on wage rates by reducing pay through layoffs or reduced hours. Those cutting rates were reluctant to admit it. The ice having been broken and time spreads reduced to the limit, straight wage cuts have come into fashion. In Chicago from August to September, 30.6% of 117,768 employees of reporting firms suffered wage reductions. Cuts ranged from 3% to 25%, averaged 10%. Outside Chicago, 27½% of employees in reporting Illinois concerns took wage cuts, the average being the same as in Chicago.

Here 10% is the popular percentage of reduction. Concerns indulging in deeper slashes usually are small ones. The heaviest reduction by a large concern was effected by a Chicago confectioner employing 1,178 persons who reported a 15%–20% cut in February.

An Illinois malleable company is reported to have a straight profit-sharing plan to keep its plant running and its men at work. The boss goes forth and lands an order at whatever price he can get. The men work it up and ship it. When payment is made, factory costs are taken out and employees split what is left. The worker doesn't know how much he will get until the factory is paid.

Factory Labor

The Cleveland Chamber of Commerce has tabulated hiring rates since 1921. The average January figure for that year was 49¢ an hour. At the end of the 1921 depression the average sank to 35¢. It is now on the records as 41¢, but at that figure "little hiring is being done," which carries the suggestion that it is somewhat theoretical. The lowest rate for Cleveland factory labor is reported to be 23¢ an hour.

Wage cuts have reduced the buying capacity of Western Pennsylvania miners. Day labor in bituminous mines which used to be paid from $3 to $5, now gets $2.40 to $3.80. Captive mines (those owned by large companies which take the entire output) are paying $4.50 where the former rate was $6.

Office workers have had to take their share of reductions. Clerks in New York who received $15 to $18 a week in boom times now get $10 to $15. Pay of typists has dropped from $15–$22 to $10–$15. Stenographers who got $35 are down to $22. Secretaries with university backgrounds who formerly were paid $40 up, are now hiring for $25. Hand addressers have been cut from $2.50 a thousand to $2.25 and less. Bookkeepers and other specialized office workers have been reduced in proportion.

Domestic Servants

It has become a hirer's market even in the field of the once-autocratic domestic servant. In New York domestics living where they work formerly got as much as $70 a month; none asking more than $40 can now be placed. Rates are as low as $15 a month. Lunch room waitresses who formerly got $10 a week (and tips) now get $6 a week (with fewer tips). Soda dispensers who formerly received $23 a week, now get $15.

Hotel workers are another nonvociferous class that has shouldered its share of the burden. The New York state Division of Women in Industry surveyed New York city's 325 hotels to see what had happened to the pay of its 50,000 employees. There were

blanket cuts of 10%. During last summer a few hotels paid 6-day wages for 7 days of work. Chambermaids living and eating in the hotels now receive from $24.50 to $40 a month; those living out, from $12 a week up. Following other industries, hotel executives have put more work on individuals—thus cutting down the numbers employed. In large hotels, chambermaids who formerly cared for 12 to 15 rooms now have 15 to 20. In smaller inns, rooms per maid have increased from 18–20 to 22–25.

Both in factory work and in operating of office machines there is a definite tendency toward piece-work rates and incentive pay.

Relief Enters the Third Stage And Moves Toward a Crisis

Winter has come, drained private and municipal funds, and left the rescue forces far behind

A RELIEF crisis is approaching. It is only a few weeks away in some cities; will be widespread by late summer unless something is done. Private agencies and local governments, which have carried most of the burden so far, have about reached the end of their resources and must have help if complete breakdown of relief is to be avoided. This means additional aid from states and from the federal government, according to the opinion of best-informed relief experts.

Typical is the plight of New York City. Commissioner of Public Welfare Frank J. Taylor has just informed Mayor Walker that relief work affecting nearly 600,000 of the 828,000 persons now receiving aid in the city will collapse by the end of May if more funds are not forthcoming. City appropriations of $12½ millions, Gibson Committee collections of $18 millions, and various other relief funds are on the verge of exhaustion; will not last beyond May.

Nothing Until Fall

Further substantial aid from the state will be impossible until voters approve a $30-million relief bond issue at the fall election. The city, under a new law, can issue 5-year bonds up to $20 millions for relief, but so far nothing has been done about it.

Other cities face similar problems, not always so immediately acute, but all promising to become serious before the summer wanes. Even if business should pick up at once, and markedly, the relief load next winter is expected to be undiminished because of the customary lag in employment.

A large share of relief offered so far has been personal. Families have moved in with relatives who still have jobs; landlords have deferred rent; grocers have extended credit. The longer the depression continues, the larger the share of this burden that must be transferred to the public.

Relief in the current depression has passed through 2 stages—private donations and local government aid; is now in a third stage in which state aid is being offered; seems likely to progress to a fourth stage, that of federal relief, if people are to be kept from starvation and misery until they get their jobs back.

Needs Outdistance Funds

The first stage was played out in the winter of 1930-31, after the depression was old enough to demonstrate the great needs. People "gave till it hurt" enormous sums compared with private donations of previous years. But relief needs continued to grow even faster so that a major share of the burden still had to be provided by government—and local governments assumed the burden last winter.

During this winter—1931-32—there was widespread realization of the share of relief which government has to bear, though continued private drives for funds kept such contributions up to nearly half of the total. But both private and local government funds are drying up. Extensive unemployment, wage and salary cuts, part-time work have all drastically curtailed the public's ability to contribute to relief funds. Likewise, local governments encounter increasing opposition from taxpayers when they even attempt to carry on relief activities of a year ago; are virtually prohibited from expanding their services in accordance with the increasing needs.

To meet this growing problem 8 states have made financial grants to local governments: New York, [illegible]0 millions; New Jersey, $9.6 millions; Rhode Island, $15 millions for loans; Pennsylvania, $10 millions; Wisconsin, $10 millions; Oklahoma, $400,000; Illinois $18.5 millions; Ohio, $20 millions.

In all these states except Oklahoma special sessions of the legislatures were called to pass relief legislation. No other special sessions are now in progress; regular sessions in 44 states will not be held until 1933. Meanwhile, relief problems grow.

Conditions in Ohio, where $20 millions were made available for relief only a few weeks ago, are typical. Last December there were 721,000 unemployed in the state. By February the number had increased to 818,000. Tremendous pressure was brought to bear on the governor to call the special session and upon the legislature to pass the relief bills.

Toledo an Example

Perhaps not quite typical of current conditions, because of its acute automotive depression and the failure of most of its banks, Toledo's record nevertheless shows what may happen in other cities when and if present conditions grow much worse.

In 1929, Toledo aided 2,100 families at a cost of $98,000, of which public funds furnished 78%. During 1930, 6,900 families were assisted at a cost of $495,000, of which 88.5% came from the public treasury. Last year 13,300 families were helped at a cost of $1,095,000 and city contributions were 93.5% of the total. During January, 1932, the number of families helped totaled 9,667, cost totaled $131,000 of which the city contributed $124,700 or 95.2%.

Up to Government

It is evident, from this record, that private charity is passing out of the picture; that more and more dependence must be placed upon governments; furthermore, that local governments are already carrying burdens too heavy to be borne much longer. Tax delinquencies are increasing; gross revenues are declining; many cities and towns are bonded to their limits. Few resources are left to increase or even to maintain present relief activities.

States are using income taxes, diverted gasoline taxes, various nuisance taxes, such as Ohio's utility excise tax, to raise relief funds. There is also a movement to raise bonding limits of local governments and to loan state funds to them for relief purposes.

Business, source of tax money, faces a tremendous burden in financing re-

Acme

FOOD FOR THE JOBLESS—*These bags are being filled with flour, milled from government-owned wheat, for free distribution through the Red Cross*

lief, no matter how it is done. Recent new lows in the security markets are partially in anticipation of new tax demands. The cost falls doubly hard upon business because diversion of taxes for relief usually reduces expenditures for other purposes in which business shares.

There appears to be growing opinion that the relief burden should be lightened on property and transferred to income so that a greater share of it will be carried by those best able to do so. For states without income taxes this means federal aid and in this direction an increasing number of states and municipalities are looking. They have carried on for $2\frac{1}{2}$ years against hopeless odds and are getting thoroughly discouraged. Paraphrasing an old copybook maxim, many of them are saying "Now is the time for the country to come to the aid of all its good men." The cry is getting attention on Capitol Hill in Washington.

Business Follows Philanthropy's Lead Into Low-Cost Housing

Experts see cash as well as credit in building homes for the $1,000–$2,500 income group

THE building industry, insurance companies, bankers, labor leaders, state and city officials, social workers, philanthropists and just plain business men are becoming increasingly interested in the tremendous possibilities which lie in the successful development of modern, low-cost housing to meet the needs of income groups from $1,000 to $2,500 a year.

At a meeting this week in New York, representatives of all these interests debated construction and financing methods needed to make low-cost housing practicable, discussed successful projects in operation, and revealed the fact that many more are in preparation, awaiting funds willing to accept a certain 5% return.

A few weeks ago, also in New York, another interested group formed the Public Housing Conference to wage a campaign for the erection within New York of wage-earner apartments to rent for about $7.50 a room a month—about half the current minimum for decent housing.

The great public interest in low-cost housing was fully demonstrated in Pittsburgh a few days ago when 20,000 visited the Buhl Foundation development there on its opening day to see 125 new homes which rent for approximately $11 per room. Interest has been revived in the Prudential Life Insurance Co. plan to improve slums in Newark, N. J., by a court decision which upholds the statute permitting the city to condemn land for the use of limited-dividend low-cost housing developments.

For housing discussion the families of the country can be divided roughly into 3 great income groups. About 5% have annual incomes of more than $2,500; 55% get from $1,000 to $2,500; 40% receive less than $1,000.

A considerable proportion of the first group has fairly suitable modern housing available, though much of it is too expensive and too frequently shoddily built. For the lowest group there appears to be little hope for modern housing through the efforts of private business. To get its members out of the city slums which they frequent will require government aid such as has been given for years by all European governments but has never been tried in this country.

Business Proposition

For the middle group, with incomes from $1,000 to $2,500, at least for the upper part of it, experts see the possibility of modern housing at a practical price and on a basis which provides a sound investment for private capital.

To meet the needs of this group, houses or apartments must rent for less than $50 a month and sell for less than $4,500. At present neither of these goals is widely attainable in housing which approaches the living standards of which we boast but which are enjoyed by so small a share of our population. Typical of how this income group is now forced to live, a 1929 survey of Philadelphia slums showed 72% of the homes without indoor toilets; other decencies and conveniences were on a similar scale.

But the goal is attainable, as some successful projects are proving. Perhaps the most famous is the $2.7-million negro housing project developed in Chicago by the Julius Rosenwald Fund. Built in 1929, when costs were 25% to 30% higher than now, this 6-acre, 421-apartment development netted 4% on investment in 1930 after all charges.

including 3% annually for depreciation, 3.7% in 1931, and, after a 7.5% rent reduction in February, is budgeted to make 2.1% during 1932.

For some reason such investments have not appealed to private capital; lack of such capital is the chief obstacle to more rapid development of these new housing projects. By some mental legerdemain, many money lenders believe if the Rosenwald Fund invests for a sure return of 3%, 4%, or 5%—and makes it—that's philanthropy; but if John Jones invests with an expectation of making 15% and loses his shirt, that's business. Those interested in housing feel that current buiness conditions are helping materially to sell the idea that a sound, long-term investment virtually guaranteeing a 5% return is not to be sneezed at.

What Blocks It

Other chief obstacles to low-cost housing, as listed by Alfred K. Stern, chairman of the Illinois State Housing Commission and head of the Julius Rosenwald Fund, are: the difficulty of assembling large tracts of land within cities without being held up; legal and regulatory restrictions which hamper large-scale operations; high construction costs. He points out that normal real estate financing interests are often kept out of this new field by their fear that development of new housing will wipe out their investments in the old rookeries which now house the low-income groups.

What of the markets for low-cost housing? Only 3% of the population lives in modern apartments; 47% in single houses; 50% in flats. A goodly portion of this latter group would be interested in better housing, particularly in cities where blighted areas are spreading rapidly. Chicago, for example, has more than 40 square miles of 2- and 3-family flats, few with the modern conveniences which we believe are the right of every American family.

More Families

Meanwhile, the rate of population increase is slowing down, but families are growing smaller in size and increasing in number much faster than population—and housing needs are based upon family groups. S. L. Andrew of the American Telephone & Telegraph Co. has estimated that population will be 185 millions by 1975, of which 69% will be adults. This means a 50% increase in total population, 70% increase in number of adults.

Another study made by T. S. Holden of F. W. Dodge Corp. estimates that of the total building expenditures during the last decade 65% have been to

provide for needs of the existing population, 35% for new people joining the community. In the next decade he estimates that 60% of housing construction will be for newcomers, 40% for the old residents.

With a total population increase over the next 10 years estimated at 9 millions, compared with 16.6 millions from 1920 to 1929, Mr. Holden estimates the total cost of new construction to care for the increase at $70 billions in current dollars, $37 billions in 1913 dollars. Compared with building activities of the last decade this will mean a 16% decrease in total construction; 28% decrease in housing and 9% decrease in non-housing.

At the recent President's Housing Conference it was estimated that if housing costs could be lowered enough to reach a new 10% of the population, $5½ billions of new construction would be provided.

Insull Crisis Dramatizes Plight Of Investment Holding Groups

Underlying companies solid but unable to bear weight of financial superstructure

BANKERS are gathered about the bedside of the Insull utilities holding companies trying to agree on restoratives. Five New York and 4 Chicago institutions are consultants. Their plans will be anxiously followed by all bankers and by multitudes holding Insull securities. The problem is to agree on a non-destructive purge, for there can be no doubt as to the diagnosis.

Here, dramatized on a grand scale, is the vulnerability of the securities holding company. The vitality of these huge structures lies in the operating units. In the utility field these last have held up remarkably well, since domestic use of heat, light, power, water, etc., has helped offset the drop in industrial demand. But upon some of them, boom-time financing superimposed multiplied securities holding corporations. These justified their existence during good business years by feeding capital to operating companies; during slumps the process is reversed. The operating companies can easily be bled of earnings in attempts to pay interest and dividends on vast security flotations.

International News

"DNEVADASTROY"—*Not Russia, but Boulder City, Nevada, viewed from the air. This is the government town which houses Hoover Dam workers*

Samuel Insull came to the bankers believing his one pressing problem to be maturity of $10 millions in Middle West Utilities notes on June 1. Those realists shook their heads as they assured Mr. Insull that the note maturity was merely an incident in the larger crisis. Drastic reorganization, with its painful losses to security holders, seems inevitable.

Chicagoans are bewildered by the Insull troubles. It is as if something had happened to Lake Michigan, for Sam Insull is a local institution. Born in London in 1859, he became Thomas Edison's secretary, saw the birth of the electrical industry, became its colossus in the Middle West. His was the genius of the operator. It was fear of losing control of his rich operating properties that drew him into loading them with securities holding companies which now threaten their existence. The dangerous impositions concluded with two investment trusts, Insull Utility Investments and Corporation Securities.

Late in 1929 the Insulls were worried by the mysterious disappearance of stocks in their various enterprises. Mr. Insull feared that control of the companies he had built might be slipping from his hands. This led to the formation of the investment trusts. Some thought this was a ruse for unloading upon the public stock he held; instead it was his way of consolidating his holdings. Through control of the trust he insured his control of underlying operating companies. The investment companies were formed almost at the peak of the bull market and underlying stocks went in at high valuations. In exchange for his original stocks, Mr. Insull took mostly common stock in the trusts.

Strength Was Misleading

To sustain prices of stock in underlying companies the investment companies undertook to support their securities in the face of a falling market. The resistance displayed by these stocks looked like strength but was really weakness. The investment companies were loading themselves at valuations which now look absurd.

Investigation in 1929-1930 revealed that the disappearing Insull stocks were being taken principally by Sun Life Assurance Co. of Canada, the Chicago Corporation, and Cyrus Eaton of Cleveland. The first two did not worry Insull since they were of investment character. In the Eaton move there were possibilities of trouble.

It is said that at the time Mr. Insull

offered to buy all three blocks at $50 above the then high market. The offers were declined. Later Eaton entered the struggle to prevent the merger of Bethlehem Steel and Youngstown Sheet & Tube. He needed all the millions he could lay hand to. In the spring of 1930 he accepted Mr. Insull's offer and sold his holdings. For this deal Mr. Insull borrowed large sums, pledging stocks already held.

Middle West Under Fire

Under the steady pressure of conditions, Insull stocks went down. There were indications that this was furthered by Sun Life's selling a large part of its accumulations. By summer the strain on Middle West Utilities was so great that the Insulls, father and son, centered their energies upon saving it. This vast company had properties extending as far east as New England, south to the Gulf, north to Canada. Under it were more than 100 companies, serving $6\frac{1}{2}$ million people in over 5,000 communities. The problems of so complex an organization were complicated beyond solution by the depression. Most pressing were bank loans around $30 millions and the $10-million note issue due June 1. A dozen brokerage houses carrying accounts for Middle West Utilities saw the slump impair their margins.

The banks would not increase commitments but they got together and agreed that they would take no action except in concert and would not force sales of collateral securities. The brokers were asked to enter the agreement and all but one did.

Reorganization Started

Meanwhile, a reorganization committee for Middle West Utilities has been formed. Chicago interests dominate. Outstanding capital of the companies comprising Middle West Securities is about $1\frac{1}{2}$ billions—giving a measure of the public's interest in the outcome. Whatever reorganization plan is adopted, Middle West probably will be broken into many parts. Common stockholders may be given stock in the reorganized companies if they subscribe for new securities. Note and preferred shareholders will fare better.

The wind-up of the investment trusts—Insull Utility Investments and Corporation Securities—probably will leave little or nothing for investors. Holders of securities in the three Chicago operating concerns are lucky. These comprise the Commonwealth Edison, Peoples Gas Light & Coke, Public Service of Northern Illinois. Their earning power is unimpaired in spite of losses that must be taken for 1931 and 1932.

"This is strictly

[–now he can *whisper* it]

Perfected! The* Noiseless Dining Car. *Now you dine in utter peace and* Quiet—at any speed—*unmolested by outside sounds. J-M Acoustical Treatment scores its most dramatic achievement!

IT happened this way. Harris and Thompson had spent the entire day working on a big account. Important matters had come up. *Confidential* matters. How they "itched" to be alone, to talk things over, to compare notes. Their first chance came that night. In the dining car. It was noisy. But that didn't matter. They had to talk. At times they actually had to SHOUT. And, of course, a competitor *would* be sitting at the next table.

* *

Things were different this trip. Harris and Thompson sat in the diner—*amazed*. Here they were on a crack express . . . ripping off better than a mile a minute . . . tearing by towns . . . over bridges . . . through tunnels . . . piercing long, shrieking lanes of idle cars . . . roaring by eastbound trains . . . here they were right in the midst of what would ordinarily be a bedlam of maddening NOISE—*and there was hardly a sound.*

Only the rustle of silverware, the musical tinkle of ice in glasses, the soft undertone of conversation greeted their ears. Even the regular, rapid, click . . . click . . . click . . . of the rails was gone. One had to look out of the window to know he was in motion.

Suddenly a freight thundering by. Harris saw it. Instinctively, he raised his voice in order to be heard, found himself confiding in the entire car. Everybody looked up.

The door opened. The conductor entered, politely removed his cap. "Tickets, please," he requested, in mild conversational tones; smiled when he noticed he was heard by all.

* *

THIS wasn't a specially constructed dining car. There were no sound absorbents on the trucks . . . no new springing or coupling. It was just a regular diner, in service some years . . . radically changed by Johns-Manville Acoustical Treatment.

In giving complete *quiet* to the railroad dining car, Johns-Manville has cooperated to the fullest extent in enabling the railroads to further the comfort of the traveling public.

Through 18 years, Johns-Manville has been the recognized authority in the development of Acoustical Materials. Applied to ceilings or walls (whether in *your* office, a theatre or a railway car), these materials either absorb NOISE or guide SOUND to the ears of listeners, whichever is desired.

J-M Acoustical Treatment will help *your* business. Write Johns-Manville, 292 Madison Ave., New York City.

"Two miles of complete quiet"

UNIVERSITY Hospitals, Cleveland, O., representing a group of five buildings, are referred to as "one of the quietest hospital units in this country." Nearly two miles of corridors have been quieted with J-M Acoustical Treatment, as well as most of the lobbies, the dispensary, all the utility rooms, diet kitchens.

Johns-Manville has reduced NOISE to an undisturbing level. Patients, visitors, comment on the quietness prevailing throughout.

"Correct Acoustics *enhance this* $2,500,000. *edifice*"

CHURCHES usually present complicated acoustical problems. In planning the new Queen of the Holy Rosary Cathedral, Toledo, Ohio, the architect contemplated the use of acoustical materials to provide conditions essential for good hearing without the necessity of change in the proposed design. To find this material an investigation was made of all acoustical treatments available.

Johns-Manville Sanacoustic Panels were finally chosen. But not before a test installation was made in the choir room. Results were highly satisfactory. Today good acoustics and a beautiful decorative interior combine to enhance greatly this $2,500,000. edifice.

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...0,000. edifice.

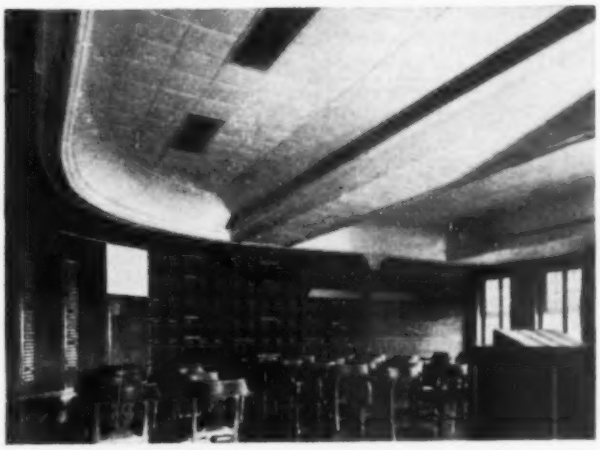
confidential" *he shouted*

"Whether the market goes up or down—it's quiet here"

BULL market or bear market — buying or selling . . . usually the board room of a broker's office is a riot of NOISE . . . hard on the nerves and patience of both clients and employees.

Lanson Brothers & Company, Chicago, knew this from experience. So when they moved to new offices in the Board of Trade Building, they decided to be forever rid of NOISE. In its stead, they decided to substitute quiet, COMPLETE QUIET.

After a wide investigation, Johns-Manville Acoustical Treatment was chosen. First, because it is the *right* noise-absorbing medium. Then, because it is easy to keep clean, a good reflector, fireproof, permanent, attractive. Altogether 7,800 feet of J-M Sanacoustic Tile were installed. Results are *very* satisfactory, work is *more* efficiently done.



Johns-Manville

JM PRODUCTS

Controls
HEAT, COLD, SOUND, MOTION

Protects against
FIRE AND WEATHER

Roads Don't Like Rate Bill But They'll Take It

THE new rate-making bill, which the House Committee on Interstate Commerce has drafted after lengthy hearings and intends to report to the House, is not all that the railroads would like, but they are disposed to take it for what it's worth.

The flexible rule of rate-making, substituted in the bill for the old theory of a standard return on a fair value, is a loose-jointed affair. However, the new measure would relieve the roads of the liability to recapture by the government of some $360 millions past excess earnings as well as future excess income, so they seem willing to trust the Interstate Commerce Commission to make rates that will protect them in the future.

Chances for the enactment of the bill at this session of Congress are remote. The House probably will pass the bill in about the same form in which it was reported, but the Senate Commerce Committee is not likely to approve retroactive repeal of recapture, even with the inducement offered by the elimination of the fair-return rule. Senator Couzens, the anti-railroad chairman of the Senate Committee, is already on record as opposed to repeal of recapture from the beginning, and there is no good reason to believe that he will change his mind. Sacrifice by the railroads of a rule of rate-making that has never been given practical effect is not a very compelling argument.

Guides for the I.C.C.

Except for the requirement that rates shall be just and reasonable, the new bill strips the present law (Sec. 15a of the Transportation Act) of any positive instructions to be followed by the I.C.C. in regulating the rate level. In the exercise of its broad discretion, the commission would be required to consider 3 factors: the effect of rates on the movement of traffic; the public's need of adequate transportation service at the lowest cost consistent with furnishing such service; the railroads' need of sufficient revenue to provide such service.

Without the further injunction that it shall be the duty of the commission actually to make rates that will produce revenue consistent with the standards set up, the new bill throws over the safeguard proposed in the original bill as a substitute for such assurance as Sec. 15a was intended to provide.

The bill also eliminates the provision, originally suggested by the I.C.C. and enthusiastically endorsed by the roads, which recognizes the principle that as earnings inevitably fall below normal in times of depression, they may properly be permitted to rise above normal in times of prosperity.

All in all, the bill that has been drafted by the House Committee represents a retreat to the original Interstate Commerce Act of 1887 so far as legislative policy is concerned.

Railroads Try for Traffic With Travel Bargains

IT takes bargains to get business these days, so railroads are expanding their bargain fares.

Among those announced are the low weekend fares in effect from Apr. 29 to Sept. 3 on the Pennsylvania, New York Central, Baltimore & Ohio, Lackawanna, Erie, New Jersey Central, Lehigh Valley and West Shore. Round trip fares under this plan will be cut 45%, will cost one and one-tenth times the regular one-way fare. The bargain rates will apply to all points served by these roads, also to Montreal, Quebec, Toronto, and other Canadian cities. Tickets will be good on any outbound train after Friday noon, and on all inbound trains leaving destination up to 4 a.m. of the following Tuesday.

The Rock Island also has made a bid for more travel, is offering weekend excursion round-trip tickets from all points on its system for the price of one fare plus 25¢, where the one-way fare is now $10 or less. The railroad has inaugurated the new rates to find out whether lower bus fares really are the cause for the shrinkage of rail passenger traffic. Other Western roads are contemplating similar experiments.

In an effort to encourage rail travel, especially during the non-rush hours, the Delaware, Lackawanna & Western will introduce on Apr. 24 special one-day round trip tickets at bargain prices. The new tickets will cost about the same as a regular one-way fare and will be good on any weekday train except during the morning and evening rush hours; Saturdays and Sundays they will be honored on all trains.

In contrast to its previous experiment along this line in December and January, when the bargain fares applied only to trips starting from suburban points and into New York or Newark, the Lackawanna will now offer the reduced rates on trips originating at either end and also between suburban points on the line.

In addition, the railroad will put on sale at the end of this month special 10-trip tickets at reduced rates, averaging 1.8¢ a mile, and good for 3 months. These tickets also are intended primarily to stimulate off-peak travel, but may be used on the rush-hour trains on cancellation of 2 trips.

BUY WORK—*This is the display that dominated the General Motors spring shows in 55 cities*

The Rail Carriers Are Also Fleet Owners

IN their annual reports for last year, now coming out, the railroads disclose that they have been going more and more into motor operations to combat highway competition.

The New Haven's motor subsidiary —the New England Transportation Co.

—increased its fleet last year by 34 buses, 37 tractors, and 58 trailers. Its gross earnings were maintained at practically the same level as the year before, net earnings were higher.

The Boston & Maine reports that its motor bus and truck transportation subsidiary had the most satisfactory year in 1931, showing a profit of $19,328 after interest and depreciation, and not including the savings effected through the substitution of motor for railroad train service.

Store-Door Service

On May 16 the railroad will inaugurate pickup and store-door delivery of l.c.l. freight between over 50 New England cities—first service of its kind established by an Eastern road. Between most points no extra charge will be made for pickup and delivery. The service will be performed by local truckmen.

The Maine Central Railroad also reports increased motor operations. So does the Reading.

Store-door pickup and delivery is now generally provided by railroads in the Southwest and Northwest. The Southwestern roads generally make no extra charge for this service on shipments up to 300 miles, while the Northwestern roads usually do.

The Pennsylvania Railroad is attacking the problem through the adoption of a new rail-truck service—the demountable truck body—between New York, Philadelphia, and Baltimore, and between Baltimore and Richmond (*BW—Nov18'31*). Other Eastern railroads, including the Baltimore & Ohio, Jersey Central, and Lackawanna, were authorized by the I.C.C. to inaugurate a similar service, but have not yet done so. The delay in getting the service started has been caused in large part by the unreceptive attitude of truckmen, who apparently prefer to ship goods over the highways, rather than operate jointly with the railroads, despite the advantages claimed for joint operation.

I.C.C. Expects Every Bondholder to Do His Duty

In approving a loan of $18 millions to the Cotton Belt, the Interstate Commerce Commission revealed that in striving to avert railroad receiverships it intends to use a minimum of government money and expects railroad bondholders, like the banks, to carry part of the load by consenting to the refunding of maturing obligations.

What action the commission will take

on the Pennsylvania Railroad's request for a $55-million advance to complete its New York–Washington electrification work, is still uncertain. Request for the loan was made several weeks ago. In a letter accompanying the application, but released only last week, S. J. County, Pennsylvania vice-president, told Eugene Meyer, chairman of the Finance Corp., that all work on the project would have to be stopped unless funds could be obtained from the government.

Cotton Belt Gets Help

The Cotton Belt had originally applied for a loan to cover the full amount of its maturing obligations, including $20.7 millions of first consolidated mortgage 4% bonds due June 1, together with $9 millions of bank loans and $2 millions for interest. Later, at the I.C.C.'s suggestion, the request was cut to the $18 millions which have now been approved.

The railroad explained that the banks were willing to extend from one-half to three-fourths of the bank loans and that it could refund the bond issue by paying at least half and delivering new bonds for the remainder of the issue.

On this basis, the I.C.C. authorized advances of some $900,000 for interest; $4.5 millions for discharging one-half of the 60-day bank loans on condition that the banks extend the other half for 3 years, same as the term of the government loan; and the balance of approximately $12 millions to pay off bonds.

Implying that the Southern Pacific was permitted to acquire control of the Cotton Belt to prevent the road from going into receivership, the commission has called upon the parent company to guarantee the amount of the government loan.

This loan brings the total approved by the I.C.C. to date up to $100 millions to 23 roads on applications for $350 millions by 56 roads. Advances by the Finance Corp. total $60.7 millions to 16 roads, as of March 31.

Speculation on the probable action of the government agencies now centers around the $20 millions of Nickel Plate notes in the hands of the public that are due Oct. 1. The notes were originally issued to cover purchases through the Alleghany Corp. of Wheeling & Lake Erie stock from the New York Central and the Baltimore & Ohio after the I.C.C. had held that tripartite purchase of this stock violated the Clayton Anti-trust Act. This stock has since been trusteed with the commission's sanction pending its decision on the 4-system Eastern consolidation plan, but the certificates of deposit have been accepted by the Finance Corp. as collateral for a previous loan to the Nickel Plate of $9 millions to meet bank loans of $6 millions and other obligations.

Europe Will "Muddle Through" The Crisis Soon to Come

First-quarter appraisal finds European confidence still unbroken after 2 years of depression

EUROPEAN NEWS BUREAU—Amid all the gloom of a first-quarter business review of Europe are 2 hopeful signs: All the hard bumps and unhappy landings of the last 2 years have failed to smash up the world's economic machine; and European confidence, despite the frequence and intensity of the attacks, has proved astonishingly tough.

Just now, matters are in a state of flux, could turn almost any way. But they are likely to turn for the better, and soon. Progress will be slow and humanly unsystematic. Voters and politicians will

Wide World

IMPRESSIVE BUT FUTILE—*Spokesmen for Britain and France whose plans for solving the Danubian problem were spoiled when Germany and Italy raised the predicted objections. Starting from the left, the lineup in the garden of 10 Downing Street, presents Runciman, Chamberlain, Tardieu, MacDonald, Flandin, Fleurian, and Simon*

balk at the scientific measures which might speed relief. No one will give an inch until he is forced to. But pressure is concentrated, is likely (as conditions become desperate) to force the first of many constructive, cooperative moves necessary to start the machine again.

France Fast Slipping

Pressure now is bearing hardest on the financial structure. Even in those countries which have, until recently, resisted the depression—France, Holland, Switzerland, and Sweden—there are signs of weakness. France, especially, is slipping fast. Gold stocks superior to any in Europe are no security against the slump.

Central and Eastern Europe live and function financially only because of the leniency of creditors. No one wants to assume the responsibility of taking them over; no one dares. But even this artificial solvency is about to collapse. This may be a good thing, for it will force creditors, customers, and neighbors to realize that it is time to make a fresh start.

Almost no one has been in a buying mood this spring any more than last. Textiles stirred faintly for a time, but heavy industries looked in vain for any new building programs or even for extensive replacements. Unemployment stopped increasing in March, but the totals are so high in each country that no one got much satisfaction in knowing the peak was passed.

The Foreign Trade Fiasco

The crux of the whole problem this spring, the thing which must be changed before any sound revival can develop, is the trading situation. In almost every country on the Continent, from a fourth to a half of everything grown or manufactured is sold outside the country. And in most cases, three-fourths of the export business is with other European neighbors. Now, with each country short-sightedly trying to live within itself, foreign trade is vanishing before our eyes. Naturally, the system is choking all business. Great Britain is the one exception and this is in part due to the fact that 60% of its exports go to more distant overseas markets where there are fewer trade restrictions to be encountered.

The second (or third) quarter may bring some further gain in seasonal activity. Almost certainly, however, it will be characterized by a series of partial or general suspensions of foreign debt payments, originating first in the Balkans (Greece, Yugoslavia, Bulgaria), and then working north through Austria, culminating sooner or later with Germany (page 30) and possibly also with Denmark and Sweden. Such suspensions should bring a measure of local relief, though they will accentuate, at least temporarily, international financial strains. It is probable that there will be eleventh-hour efforts to rectify conditions and avoid defaults.

Particular attention will be given to economic reintegration of the Danube states. Possibly, new loans will be advanced to some of these states on the premise that economic integration will sufficiently improve their earning power to warrant the extension of additional credit.

Trouble on the Danube

This premise is unfortunately incomplete. While certain minor combinations resulting in better economic equilibrium are possible (Austria and Hungary), no large-scale integration of the Danube basin to a new self-balancing unit is possible without the incorporation of either Germany or Italy, or both. For political reasons, integration of Germany or Italy with any of the Danube countries, let alone with a Danubian bloc, appears impossible (*BW—Apr13'32*). New capital pumped into this area may postpone debt defaults for a while but in the long run will only add to the burden of debt which these countries are already unable to carry, and to the capital loss which must eventually be taken in this area.

International debts contracted in gold when prices were high cannot be paid so long as the commodities which must earn repayment are selling at barely half their old values. Europe knows this, knows that some debts must be cancelled, some reduced, some suspended for a time.

Britain Again Leading

Britain is again assuming financial leadership. The British have taken squarely their capital loss on sterling. They have balanced their budget. Trade prospects for the next few months are good. So they are turning their attention to old-time problems with an old-time familiarity.

Europe has gone through much since the War—currency inflations, heavy taxes, adaptation to new industries, new governments. The first quarter in review is, statistically, bad. There are, however, signs, factors, characteristics which can pull the countries through the next trying months without danger of their economic and social structures' collapsing completely. Economists expect extreme financial pressure to force the crisis. Once at hand, international cooperation will begin to function.

French Shift to Left Will Make Little Difference to Business

EUROPEAN NEWS BUREAU—There will be a Left landslide in the French parliamentary elections the first week in May. Seasoned politicians are certain of it. So are the mass of Frenchmen.

There is only one factor which endangers the vote. That is the possibility of an overwhelming Hitler victory in the important Prussian Diet elections in Germany. That might frighten some of France's more timid Liberals. It could scarcely cause a complete turnaround of the present attitude of the French electorate.

Reason for the Shift

Several reasons for a shift to the Left can be stated.

(1) People are hostile to the present (Right) government. The Paris press supports the government, but this part of the French press is controlled by powerful financial or industrial interests. Provincial newspapers are relatively independent, and they reflect a hostile attitude to the government.

(2) French opinion outside of Paris (which has always voted Nationalist and Conservative) approves the line of Briand's foreign policy, which the present government voted not to follow shortly before his death.

(3) Domestically, the present government has accomplished little to its credit. A budget surplus has slipped into a sizeable deficit during its term of office. Officials are accused of favoring private interests. Major problems of national policy have been fumbled because of a lack of definite policy.

The Protest Vote

(4) Finally, there is the fundamental psychological factor, valid in all countries, that people do not vote *for* but *against* things or people.

Granted the probability of a Left victory, what results can business expect?

(1) There is no fundamental difference of opinion among "national" parties with respect to national issues, that is disarmament, reparations, war debts. Even the Socialist party would uphold these issues. France will not disarm unless her security is adequately protected.

Such also is the case with reparations. France will never agree to wipe them out altogether, but while Herriot or Tardieu would consent to their abolition in fact provided they be maintained on paper, Marin, Conservative leader, demands payment to the last cent.

There is unanimous agreement regarding war debts. France will not pay war debts if she ceases receiving payments from Germany.

(2) Regarding France's League policy, there are serious differences of opinion. All Liberals advocate League support and rapprochement with Germany. Briand is still their spiritual leader and unless and until Hitler takes effective control of German politics, it is likely that France will resume Briand's policy if a Left majority is returned. But such rapprochement will never go so far as to accept treaty (Versailles) revision proposals or any modification of the present political status quo.

Rival Tax Plans

(3) In domestic politics, national issues are rare. There are principally the deficit and the depression but no party has as yet propounded adequate cures for these evils. To balance the budget the Left will demand direct tax increases or new direct taxes, while a Conservative majority would rather resort to indirect taxation.

(4) There may be considerable difference of opinion regarding foreign trade. The Conservatives are protectionist by nature; the Liberals, though not free traders, are more liberal in economic doctrine. The present Conservative majority has passed a series of trade restrictive measures (quotas, tariff increases). Liberal parties would continue to protect the rural interests but it is doubtful if they would be as thoroughgoing as the Conservatives in their industrial protection measures.

Europe Doubts Wisdom Of Lower Ship Fares

THE declaration by Sir Percy Bates, chairman of the Cunard Line, that the recent spectacular transatlantic fare reductions have come a year too late is reminiscent of the belated speculation by an economist that the entire depression might have been avoided had business had the courage to raise wages in the fall of 1929 when things started to slide.

World shipping officials have divided into 2 camps, since the fare reductions were announced (*BW—Apr6'32*). *The Business Week's* Paris office reports that the British lines were reluctant, and the Franco-German group "highly unwilling," to carry out the scheme imposed by the announcement from the American lines.

It is not difficult to see the reason. The French Line is in financial hot water and greatly troubled by the government's stern control measures attached to recent loans. The Holland-America line is hard-hit. North German Lloyd and Hamburg-American have just been forced to accept government financial assistance, despite the popularity of the Lloyd's *Bremen* and *Europa*.

Paris Awaits Proof

Paris sums up the European shipping point of view tersely: "It remains to be seen whether the Americans are right in their contention that the fare reduction will uncover a new stratum of travelers sufficient to provide the 30% to 40% increase which Europe calls necessary to offset the cut in revenue."

Tourist interests in Europe are more jubilant. The depression has slashed hotel rates and living costs in many countries until good board and lodging are available at $2 a day. A wave of propaganda is to be expected contending that Americans can vacation cheaper in Europe than at home. Tourist expenditures in volume would be an important relief to European debt strains.

May Link Schedules

More than fare adjustments can be expected in shipping program revisions to meet depression emergencies. There is fresh talk of closer linking of White Star–U.S. Line schedules. The International Mercantile Marine controls the U.S. Line and is the agent in the United States for the White Star. More, the I.M.M. has never received full payment from Royal Mail (British) for the White Star Line, due largely to the difficulties which the British line has had in recent years.

Now it is rumored that the *Majestic* and *Olympic*, crack liners of the White Star, will be grouped with the *Leviathan*, flagship of the U.S. Lines, to maintain a weekly service on the Atlantic. While it is possible that this adjustment may be made to utilize to the most economical advantage the ships under I.M.M. direction, it is too early to predict complete interconnection of the White Star schedules with the other I.M.M. sailings. Continued depression, however, and greater reluctance of governments to extend, or even maintain, subsidies under present unprofitable conditions, may bring almost any sort of emergency cooperative arrangement.

Diamond Mines Shut Down To Let Prices Catch Up

DIAMONDS are too plentiful these days. London vaults are full of them. So are the vaults in Antwerp and Amsterdam. Prices are down, cutters out of work.

Now the diamond mines of South Africa, which produce 97% of the world's supply, have decided to close for 2 years. In that time they believe the world's oversupply will be absorbed.

Paris reports that accumulated stocks of diamonds now are worth $90 millions, that not more than $15 millions' worth were sold in 1930, even less in 1931. The same authorities, scanning the records, point to prices of $47 a carat in 1926, $86 in 1929, $18 in 1930, and a bare $7 now (*BW—Apr1'31*).

Real control of the world's diamond business is in London where the Diamond Syndicate has its headquarters. British and German capital dominates with some American representation.

South Africa controls 97% of the total diamond output. The remaining 3% comes from South America, Borneo, Australia, and India.

The United States is the principal market for diamonds, consumes about 80% of world production. The American market is slack. Therefore the decision in London to close the mines.

Citroën Cars Will Use Floating Power

CITROËN, largest manufacturer of automobiles outside the United States, has completed patent arrangements with Chrysler for the use of floating power engine mountings in all Citroën cars.

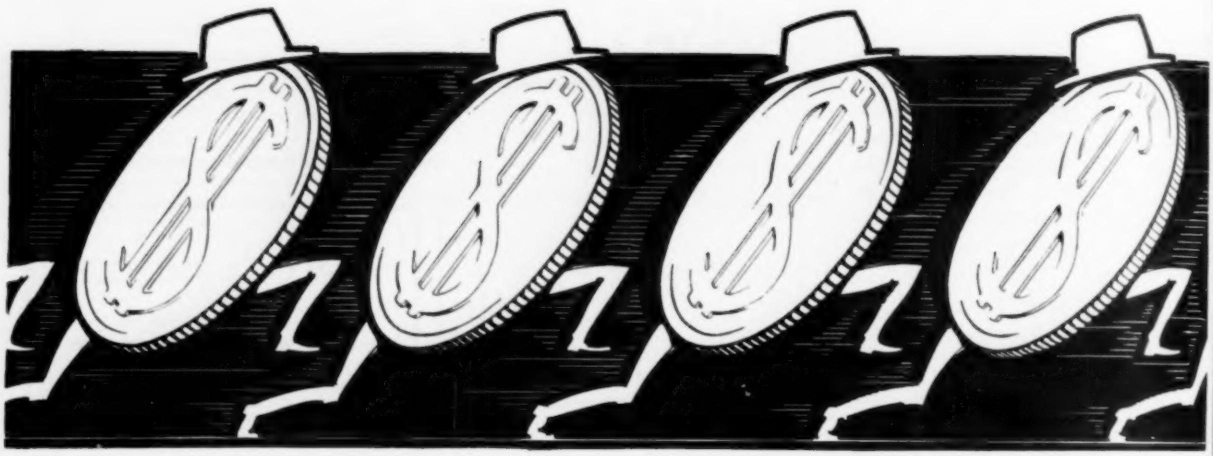
Citroën normally manufactures 75,000 cars a year, exports in a good year 14,000. The French colonies are the best markets though Holland, Belgium, and Switzerland absorb fair quantities of French automobiles. Citroën is responsible for more than 30% of total French production.

British Railroads Sell Tickets on Instalments

TAKING their cue from the new Cunard instalment plan, the British railroads have gone in for selling passenger tickets on instalments. The London, Midland & Scottish and the North Eastern, which have adopted the idea, are hoping that Lancashire textile workers will take advantage of this offer in making their summer holiday plans.

Where have the consumer's dollars been going since the war?

Where are they headed now



For the past 10 years business men have had to guess at the answer to this vital question . . . . .

•

In the next 20 weeks they will get it in complete, comprehensive form in *The Business Week.*

•

BUSINESS men had a great lesson thrust upon them in the past decade. They've traded in the old slogan about the better mouse trap for a new and better one: "The consumer's preference is king."

Mr. and Mrs. Consumer drove that lesson home . . . when they stepped on the gas and drove themselves about the country, to the dismay of the railroads . . . when they went in for automatic refrigeration and gave the ice business something to think about . . . when they left the makers of cotton stockings, high shoes, parlor stoves and a variety of other products, holding the bag.

Such changes in buying habits are a matter of common knowledge. These are just a few outstanding examples. What is happening to all the other products and services that are vying for the public favor? What is the *complete* picture of the American consumer market? How has the picture changed since the war—how is it continuing to change today—in favor of certain products and services, and at the expense of others?

The business man who wants to hold the public's patronage needs *all* these facts. Only then can he feel the public pulse, catch the ever-changing trend in buying habits, and adjust his activities, his products, his sales appeals, to the new order of things.

Unfortunately, this over-all picture has never been available in one complete, comprehensive, easy-to-understand study. That is, never until now.

For now, after a year's research and study, *The Business Week* is ready to present, to a business world that has long been waiting for it, the *complete* picture of America's buying habits.

In this *complete*, fundamental study will be found full information on . . .

Why retail sales lag behind total consumer expenditures.

Growing importance of services in the consumer market.

Relative growth of consumed goods and durable goods.

The rapid growth of transportation, recreation and education as compared to food and clothing.

How the national consumer budget varies with income.

Where savings, investments, taxes and social activities fit into the consumer's budget.

Analysis of each major classification of expenditure with trends over a twelve year period.

Effect of increasing consumer credit.

How consumption tends to run ahead of income year after year—and why.

And hundreds of other conditions and trends upon which to build sound marketing plans.

This is NOT a promotion survey for the benefit of *The Business Week*'s advertising department. It's an editorial job undertaken solely in the interest of the business men who read this journal, and who need this information to guide their businesses.

This isn't a "typical town" study—it covers the entire country. It isn't a one-year study—it covers the entire period from 1919 to 1930. It isn't a study of sales in a certain type of store or a certain-sized city—it isn't a projection of fragmentary data—it is a study of the purchases of *our entire population* over this period. And it covers just about everything the American people buy—roughly, about a thousand items.

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THE BUSINESS WEEK

Germany's Balance Sheet Pleads Case for a Transfer Moratorium

Only escape lies in export surplus of $30 millions a month and there is little chance of that

European News Bureau—Germans attach more than ordinary weight to opinions expressed in certain of their newspapers and periodicals. Prominent in the respected list is the *Bergwerks-zeitung*.

In a recent issue, under the plain-spoken title, "The Second Transfer Moratorium," was this significant statement:

"It is obvious now that the private foreign debts of Germany present exactly the same problem as the reparation payments. For this reason, the year 1932 must lead to a crisis of private debt payments exactly in the same way as the year 1931 led to a cessation of reparation payments."

Almost immediately following this declaration came the governmental proposal that Germany, already obviously unable to meet all of the interest charges which would fall due in 1932, should arrange with creditors a standstill agreement to cover the privately contracted debts of German industry and a few commercial banks (*BW—Apr13'32*).

No Protest

The proposition was stated mildly, respectfully; it brought no storm of protest from the creditors. Neither did the almost simultaneous announcement that the Reichsbank planned interest reductions on those of the commercial short-term obligations on which interest charges were considered excessive (*BW—Mar30'32*).

It is obvious now that Germany is working gradually into the commercial transfer moratorium which has been predicted since January. To indicate the growing necessity for the move, *The Business Week's* Berlin correspondent has made a fresh study of the country's balance sheet to bring up to date the factors set forth previously (*BW—Dec16'31*).

Germany's balance of payments in 1931 presented an altogether abnormal picture inasmuch as they reflected the unprecedented bleeding of capital to which the country's economic organization was subjected in that year by the run of foreign creditors, under pressure of which its credit and banking machinery finally succumbed.

The latest tabulation of the 1931 balance of payments was given in the report of the Basle committee on reparations, issued in December, 1931. It is largely based on statistical data furnished by the Reichsbank and the Institute for Business Research, and has been checked by experts (see table, page 31).

The withdrawal of nearly $1,200 millions within one year left Germany exhausted and depleted of all reserves. Although the standstill agreement for short-term credits, prolonged from Mar. 1, 1932, precluded further withdrawals of these credits, it still left substantial obligations on the part of Germany in the shape of payment of current interest, and an eventual 10% curtailment of the "credit line," not to speak of numerous "leaks" of foreign exchange.

As well as they can be estimated now, the balance of payments for 1932 will look quite different. In the first place, it will be greatly simplified since many items that appear on the 1931 balance will be lacking. Reparations, for example, are gone. Likewise, such items as foreign assets of German banks and fresh rediscount and other credits since the former are exhausted and the latter are unobtainable for Germany within the immediate future.

The liabilities side of the balance for 1932 will essentially consist of the current service of the German foreign debt (both short-term and long-term):

	(millions)
Long-term debt	
Foreign currency bonds	
Amortization $60–$70	
Interest $100–$125	$160–195
Long-term debts not issued publicly	37
German internal bonds	6
Shares, participation, real estate, etc.	35
Short-term debt	142–167
Total	$380–440

As a result of the lowering of interest rates on short-term credits by British, Swiss, and Dutch banks (*BW—Mar30'32*), the total interest charges on standstill credits may possibly be reduced by $15 or $20 millions.

It is also to be noted that the total of $380 to $440 millions does not include loans maturing in 1932, the presumption being that these will have to be refinanced somehow. In fact, it is understood here that the 3 loans issued in the United States—Saxon Public Works, $10 millions, and due July, 1932; Deutsche Bank notes, $25 millions, and due in September; and Federal Government short-term loan of $125 millions, due in October—are likely to be refinanced or extended in negotiations now under way.

International News

"Now for Prussia!"—*Hitler, Germany's Chaplinesque man of destiny, lost the presidential election to Hindenburg, but Prussian Diet elections are due April 24, Nazis are driving for votes in a whirlwind campaign*

German Balance of Payments, 1931

(In Millions)

Export surplus for year, including services and deliveries-in-kind	$714	Reparations payments up to June 30	$190
Utilization of foreign assets of German banks	310	Interest and normal amortization on Germany's foreign liabilities	355
Rediscount and other credits, including that from Central banks and the B.I.S.	286	Balance representing capital withdrawn	1,170
Drawn from gold reserve of the Reichsbank	405		
	$1,715		$1,715

Beyond these maturities, the exact amount of the American share which will be involved in the transfer moratorium can only be estimated. Best authorities estimate that $80 millions are involved in interest charges. Working from the same data, the United States regular amortization service can be estimated at about $40 millions.

Assets Few

The asset side of the 1932 balance sheet builds up badly. Since the capital exodus of 1931, Germany is restricted in her choice of means by which to meet liabilities. Theoretically, the following ways are still open: (1) payment in gold; (2) receipts from shipping and other invisible exports; (3) excess of exports over imports.

One glance at recent Reichsbank statements eliminates the possibility of extensive gold shipments. Gold reserves on Dec. 31, 1931, totaled $275 millions. On Mar. 31, they scarcely reached $244 millions. Out of this balance left in the vaults of the Reichsbank, no less than $140 millions are earmarked against the remaining $90 millions of the B.I.S. credit and against the $50-million credit granted by New York banks to the Golddiskontbank, subsidiary of the Reichsbank.

Bare Minimum

This leaves a free balance of roughly $100 millions representing a bare minimum which the Reichsbank and the government must keep as the last reserve in order to meet eventual emergency requirements and also in order to be able to manipulate current oscillations of foreign exchange rates. In any case, Germany cannot allow any further outflow of gold without seriously endangering the stability of the Reichsmark.

For normal years, freight receipts of the mercantile marine, together with other invisible exports, are estimated at $50 millions. In view of the depressed conditions of international freight markets and also in view of the critical financial status of German shipping, this item will hardly exceed $30 to $40 millions in the current year.

The foreign trade balance, then, must bear the brunt of the burden. Estimates for 1932 are difficult because 1931 was such an abnormal year. Last year's surplus of exports of $685 millions was a performance not likely to recur. It represented vast "clearance sales" forced by the contraction of credit, and sharply curtailed imports which, as far as foodstuffs and raw materials are concerned, can hardly be carried any further. The favorable balance, which averaged $38 millions in each of the first six months of last year and jumped to $76 millions in the second half, dropped to $25 and $24 millions respectively in January and February of this year.

Facts to Face

In summary, then, here is what Germany faces: (1) Liabilities in 1932 total roughly $400 millions; (2) out of this amount only about $40 millions can be met by receipts of the mercantile marine and other minor items, leaving an amount of $360 millions, or $30 millions a month; (3) to meet these payments, Germany must maintain an export surplus of at least $30 millions a month.

Germans and foreigners alike are aware that the chances of maintaining a balance anywhere near this total are very slender. All the world is trying to protect its home industries, save what little foreign exchange it may still have, live on the narrowest possible means. In a desperate effort to maintain a favorable balance and pay her debts, Germany has cut imports. Neighboring countries immediately felt the effect, set up similar imposts. Thus the vicious circle got started and no one seems able to stop it.

Germany is well on the way to a transfer moratorium. A year ago the news would have upset the financial world. This year it is being taken somewhat for granted. There is nothing else to do. But it is well to understand just what is causing it and how it is being worked out on a systematic basis.

Our Interests Abroad: Dollars, Films, Branches

TRADE rulings change so rapidly in Europe these days, it is difficult for exporters and bankers to keep up-to-date. Some regulations have far more widespread application than others. Some are indicative of changing trends. *The Business Week's* European Bureau is watching these new moves, reporting the most significant.

Eastern Europe: Dollars are scarce throughout Eastern Europe. Austria and Czechoslovakia have a new trick regulation which Americans should remember when making contracts with either. If the contract specifies payment in dollars, payment can be made in local currency. But if the term "effective dollars" is specified in the contract, the national courts hold that the debtors must pay in American dollars.

Since local currencies in many eastern European countries cannot be converted into foreign exchange under existing restrictions, or only under certain circumstances and then often at heavy loss due to differences between official and market rates of exchange, it is important that dollar contracts specify payment in "effective dollars."

Motion Pictures: Czechoslovakia is rationing film imports. Hereafter only 5 films can be imported for each film locally produced. Of 472 feature films released in Czechoslovakia last year, 209 came from the United States, 173 from Germany, 28 from France, and 27 were produced locally. To retain this volume, American importers would now be required to produce 42 films domestically. Importers say that this would be economically and physically impossible. American film companies are worried because similar measures are proposed in Yugoslavia, are likely to spread.

New Businesses in England: The London Chamber of Commerce has recently issued a list of 41 foreign firms which have concluded definite arrangements for branch plants in England to overstep the tariff barrier. Among these foreign companies, 9 are American, 21 German, 4 Dutch, 3 Belgian, 1 French, 1 Swiss, 1 Italian, and 1 Czechoslovakian.

The American firms include Erie Resistor Co. (wireless resistance units), Arrow-Hegeman-Hart Corp. (electric switches), Hoover Co. (vacuum cleaners). Eureka Vacuum Cleaner Co., on the other hand, is selling out of the British market, and Eastman Kodak Co. is retrenching throughout its retail organization.

Business Abroad—Swift Survey Of the Week's Developments

Domestic **business in key countries is too busy worrying about its neighbor's condition to prosper. . . . Britain is in good shape but is alarmed over the inability of major countries to get together for Danube relief. . . . France is surprised at the persistence of her tiny spring revival but worried about Hitler and a possible Tardieu boomerang in Central Europe. . . . German business fears Hitler, expects less favorable foreign trade reports for March. . . . China and Russia are jealously watching Japan's bold moves in Manchuria, are accumulating resentment which will eventually cause trouble. . . . Greatest uncertainty hangs over the immediate future.**

Europe

EUROPEAN NEWS BUREAU (*Cable*)—The spring pickup has become more evident, is reflected especially in declining unemployment and in larger rail movements. Bank rates have been cut and money has relaxed, especially in Germany and Czechoslovakia. It is reported negotiations for prolongation of the Lee, Higginson credit of $125 millions to the Reich are likely soon to be concluded.

Commodity prices have partly recovered from last week's slump, but sentiment, as reflected in exchanges and securities markets, is only slowly recovering from earlier unsettlement, is preoccupied with more basic considerations such as the failure of the Danubian conference, Nazi gains in Germany, reparations issues as the time for the Lausanne conference approaches, and especially with conditions in the United States which are being closely watched. Passage of the bonus bill would mean an immediate exodus of foreign assets.

Speculative rumor mongers have seized the opportunity and are spreading alarmist reports starting an anti-dollar, anti-American banks, anti-Royal Dutch trend. Although partly discounted as tenaciously exaggerated or false, nevertheless they have occasioned considerable nervousness which, unless checked, may presage another wave of exaggerated psychological depression like that at the end of last year.

Practically all economists agree that the dollar can stand indefinitely against foreign withdrawals providing domestic confidence does not weaken. It is probable that liquidations in Wall Street, the emigration of both foreign and domestic proceeds, especially to London, is largely responsible for dollar weakness, and that speculative maneuvers have merely accentuated it.

The continued weakness of non-ferrous metals contrasts with the returning strength of cotton and rubber (many East Indian estates are closing) and with the spectacular jump of wheat whose position is now distinctly favorable. This is due to a number of factors. A steady European demand for North American hard wheat till August is foreseen by the Rome Institute of Agriculture. It is estimated that this may average 55 million bushels monthly. Then, winter wheat losses in Europe—especially in Hungary and Russia—can be added to the loss in the United States which means there will be only small early crops.

Would Curb Nazis

The election of Hindenburg in Germany had already been discounted, but the large Nazi gains are disturbing in view of the provincial Diet elections on Apr. 24, especially in Prussia, where it is believed Hitler will be unable to muster a majority but will gain sufficient strength to paralyze the administration. Whatever the election outcome, greater nationalist influence is probable. There has been an eleventh hour change in the Prussian constitution requiring an absolute majority over all parties for election of the provincial premier. But this obvious scheme to curb the Nazis has its weakness. The more the parties now in power warp the constitution in order to defeat their opponents, the more their opponents will be deprived of the normal rights of representation and so will be forced to the recourse of violence.

London Failed

Failure of the London conference to aid Central Europe has had 3 consequences:

(1) It has increased the strain on southeastern Europe until defaults as well as more trade restrictions have become more probable. The 3 months' renewal of outstanding credits to Austro-Hungary and Yugoslavia improves only negatively their regularizing commitments whose repayment presently will become impossible. Austria has announced an immediate embargo on all except the most indispensable imports, thus further restricting trade. Preferential agreements between Austria and Germany, and Austria and Italy are agitated afresh despite French opposition.

(2) Franco-German friction on the eve of international conferences (particularly Lausanne) is accentuated.

(3) It has stimulated most careful preparation by the British for the Ottawa conference to avoid a similar fiasco.

Germany

Business hampered by political uncertainties. . . . Boerse nearly back to normal functioning but prices and volume disappointing. . . . Small increase in employment; fewer bankruptcies; more savings.

BERLIN (*Cable*)—Business lacked confidence this week. The presidential elections came out as expected, but the increased Hitler majority sent stock quotations down, had a generally depressing effect. This political uncertainty is likely to continue until Apr. 24 when the Prussian elections are run off.

After being closed since the bank crash in July, except for a period of 3 weeks late in August and early September, official quotations were once more permitted on the Boerse this week. They were disappointing, and trading was dull. Allgemeine Elektrizitaets Gesellschaft, which was quoted at 86 when the Boerse closed last summer, opened at 22½. Hamburg-American opened at 11⅜, compared with 45 last summer. Dye Trust shares at 83¾ compared with 124; Steel Trust at 11¾ with 43; Reichsbank at 96½ with 129; Swedish Match at 8 with 145.

Shipping Shares Slide

Shipping shares are particularly weak since the announcement of the trans-atlantic fare-cut. No group was more reluctant to accept it than the German, none more determined not to create a breach in the transatlantic conference at this time. Germans share the wide-spread European belief that the cuts are too drastic, that the new travel stratum tapped by the lower prices cannot furnish enough bookings to be profitable.

When February public revenue was revealed, totals were 11% below those of a year ago, despite new taxes. Railroad receipts were down 23%. And March foreign trade returns, due soon, are sure to be disappointing.

REFITTED FRENCH FISHING FLEET—*Rival fishermen working the Grand Banks last year poked fun at the mere handful of Breton fishing boats that turned out for the annual catch. This year, France's fleet is large again and the vessels have more modern equipment to compete with British, Norwegian, Canadian, and United States rivals.*

Not all developments are unfavorable. Unemployment is down 98,000 in the faint spring revival in the consumer industries. Money is easier. Savings deposits show a slight increase indicating the return, slowly, of public confidence. Bankruptcies in March were down appreciably.

Despite the fact a Hindenburg victory had already been discounted by the business public, there is considerable satisfaction in the assurance that he is again in control. And that negotiations are nearly completed for the extension of the $125-million Lee, Higginson credit to the Reich.

Great Britain

Tone generally good. . . . Unemployment down; exports up; domestic securities comparatively steady. . . . Further tariffs in prospect. . . . Foreign problems present major uncertainty.

LONDON (*Cable*)—British business found grounds for encouragement in a number of factors this week. March foreign trade returns are good. Imports are well below the February total, and exports are up. Unemployment was 133,841 below the February total, and 12,786 below the total for a year ago.

Important in the export increase were textiles. British piece goods went in increasing volume to India, Egypt, Switzerland, West Africa, Australia, Iraq, and shipments to China were nearly 3 times what they were a year ago.

Securities markets are affected still by worries over the possible outcome of the Kreuger affair, by the prospect of a large Hitler gain in forthcoming German state elections, by disappointment that the Danube conference has as yet accomplished nothing constructive and by the delay has increased the prospects of further defaults in Austria, Hungary, Bulgaria, and Greece. However, money is easy and a further cut in the bank rate is expected.

The City is interested in the rumor that the Tariff Commission has already presented to the Chancellor a recommendation that the tariff on manufactures be increased from the general 10% levy to 33⅓%, and that a tariff on steel—probably the same amount—be imposed. Manufacturers have urged these special duties since tariff agitation first started.

France

Spring revival continues in France, but is clouded by international uncertainties. . . . Several new issues are well subscribed. . . . Americans barred again in radio quota renewal; further quota announcements at least temporarily delayed. . . . French think Tardieu may have started a boomerang in Danube project.

PARIS (*Cable*)—France is experiencing a genuine, if not widespread, spring pickup this week, but the optimism that it might arouse is lost in the gloom of international uncertainties which have developed.

Unemployment has continued its slow decline for another week. Rail receipts, though 11% below the level at this time last year, are the best since December.

The flourish of new issues this week brought out plenty of subscribers despite the uncertainties which political candidates and the press have been playing up. Included in the list was the French government-guaranteed Czechoslovakian issue of $24 millions which carries 5% interest. Still to be issued is the government's $139 millions in bonds to finance the National Equipment Program.

Anti-Dollar Campaign

Resentment is spreading, and not a little uneasiness has been occasioned by the rumor-mongering campaign which is being waged against the dollar and against American bankers. In Paris, it is attributed to unknown speculators. Certainly it is not representative of the general attitude of French financiers. The Bank of France is actively supporting the dollar.

Though the French seemed genuinely alarmed last week when the American Chamber of Commerce in Paris went straight to President Hoover in its appeal for more equitable treatment from the French in the growing list of import quotas which have been issued from Paris, details of the renewal have once more stirred Americans. The quota as announced for the second quarter fixes the American share at 66% below the first quarter, which was already scarcely one-fourth as large as the Dutch, and two-fifths the size of the German quotas. And this despite the fact that American radios headed the French import list last year. The German quota is also cut for the second quarter but this is said to be due to the country's failure to utilize its original allowance. The British quota is increased 8% and that for miscellaneous countries 20%.

Further to irk American radio ex-

porters and French importers, a new restriction in the renewal regulation specifies a license must be obtained from the custom house, and since these will be granted first on radios already in customs warehouses, it is impossible to ship now with any certainty that the radios will be admitted.

Since this regulation was released, no further quotas have been announced. The market is skeptical. This might indicate a change of mind on the part of the French caused, if it is true, by the drastic protests which have come simultaneously from the British and American Chambers of Commerce, and which have been plentifully supplemented by domestic warnings that retaliation can be expected. It is too early to judge whether the policy definitely has been modified.

Hitler Worries France

France had already discounted the good effects of a Hindenburg success in the German presidential elections. Now the Hitler gains in the balloting and the prospect of further gains in the Prussian elections are worrying the French.

The failure of the preliminary Danubian conferences at London also has upset the French. In fact, France is coming to see the possibility that Tardieu's proposal may have something of a boomerang effect on France. All the arguments for a federation of Danubian states are also good for Germany's inclusion in the federation, especially because German industrial economy is complementary to the economy of the Danubian states which are almost all essentially agricultural. Sooner or later, therefore, such a federation will come under German influence, and thus, through Tardieu's latest move, Germany is given an opportunity to dominate Central Europe.

Far East

Chinese business mending, but threatened by civil war. . . . Japanese industry slack except for heavy industries filling Manchurian orders. . . . Tokyo's determined and aggressive consolidation in Manchuria increases Russo-Japanese friction.

CHINESE, Russians, and pro-Chinese are daily more concerned over growing evidences of Japanese determination to entrench herself in Manchuria. Within the new state, and to a certain extent in the outside business world, there is less alarm.

Within the week reports have come from Tokyo financial sources that Japanese bankers have decided to establish the Manchuria Development Co., with a capital of $66 millions, to supply loans for public works improvements in Mukden, Changchun, Harbin, Tsitsihar, and other metropolitan centers in Manchuria. Headquarters will be in Mukden despite Japan's determination to make Changchun the capital of the new state.

Further north, at Kirin, it is reported that the Asana Cement Co. will establish a $650,000 plant to produce cement for the new construction projects.

Moscow Mistrusts Tokyo

Russian apprehension is well founded. In Tokyo in the last few weeks, 40 fishery companies operating in the Kamchatka region have quietly been merged into a giant unit which will function under the Oriental Development Co. Japan won certain fishing rights in Russo-Siberian waters following the Russo-Japanese war. Disagreement over the concession arose in 1928 and since then the provision has been renewed on an annual basis, with the friction just a little more intense each year. Last year, and again this, there was widespread apprehension that it might cause an outbreak in the Vladivostok area. Japan wants to continue her rights in the fishing area because of the importance of fish in the national diet as well as its value in international trade. Russia is suddenly interested primarily in the opportunity for building foreign valuta from exports of crabmeat.

Figurehead Officials

There is another source of worry to Moscow. It is quite definitely rumored within Soviet hearing in the Far East that the new Manchurian state (which is Japan dictating through Chinese figurehead officials) plans to reorganize the Chinese Eastern Railroad which crosses northern Manchuria and which has been held jointly by China and Russia. These rumors indicate that plans are afoot to reorganize the railroad on Japanese rather than Soviet models, perhaps even call it the North Manchurian Railroad.

Significant also is the announcement from Changchun that one of the first of the construction projects which will be undertaken by the South Manchuria is the construction at Dairen of a $7-million sulphate of ammonia plant which will draw its nitrogen from the air. And the further report that nearly one-half of the first Manchurian budget will be allotted to military expenditures.

Business at Shanghai is still mending but the outlook for China is more and more cloudy as preparations go forward for civil war. The country has narrowly averted a moratorium on government loans during the recent strife. Now the servicing of domestic loans has been put in the hands of the marine customs, all interest has been cut to 6%, and the revenues from the salt tax, stamp duties, and factory excise taxes have been conserved for government expenses.

Japanese business, except those branches of the heavy industries which are filling orders from Manchuria, is still slack. Banks are still under a strain. Specific duties up to 40% will almost inevitably be levied when the Diet meets in May.

Latin America

Bank run and cabinet resignation upset Chile. . . . Conditions bad in Ecuador. . . . Bolivia forced by lower tin prices to make new foreign exchange restrictions. . . . Sugar at new low.

ECONOMIC unrest was reflected in political uprisings in 2 Latin American states this week, and in a minor change in the government in another.

Following a run on the Central Bank in Chile, the cabinet resigned and martial law was declared in Santiago. Definite plans to abandon the gold standard have led Chileans to hoard silver coin. Gradual hoarding turned into a serious run during the week. Further political unrest is not unexpected.

In Ecuador the mutiny of the navy was inconsequential inasmuch as it includes only 2 ships. It does indicate that political instability is not confined to one country. More significant to American business is the decision to declare a mortgage loan moratorium which will allow payment in notes instead of cash. This has caused stocks of banks holding a large volume of agricultural loans to sell sharply down.

Peru's cabinet resignation was quickly remedied by a slight change in personnel and had little effect on general business.

Because of the further drop in tin prices, the Bolivian Central Bank is adopting drastic measures to protect its gold reserves by restricting the sale of drafts on foreign currency.

With sugar at a new low for the week, Cuban prospects are more and more gloomy.

The Figures of the Week And What They Mean

The business situation remains virtually unchanged, though *The Business Week* index was forced upward by the sharp rise in the volume of check payments at the end of the first quarter. . . . Steel operations continue to sag as motor orders dribble in here and there. . . . Electric power consumption shows no marked change. Carloadings of manufactured goods moved upward, but total shipments were lowered as coal freight declined sharply. . . . The rise in currency circulation for the first time in weeks may be due to other causes than hoarding. . . . Grain and coffee prices reveal strength, but other commodities continue weak or irregular.

NOTHING new is forthcoming from the steel industry. The situation remains virtually unchanged, with hope for the orders to come, and regrets for those that failed to appear in the past. Operations have again declined for the week of Apr. 11 to the level that opened the year. Our adjusted index remains unchanged at 29% of normal. The official report on ingot production of the American Iron and Steel Institute revealed more than a 10% decline in the daily output between February and March. The first quarter of 1932 saw production reduced by over 45% compared with a year ago. This low level of activity coupled with an unprofitable price level is reflected in recent earnings statements of leading steel officials who make no bones about admitting that not even preferred dividends have been earned this year.

Unfilled orders of the U. S. Steel Corp. at the end of March were further reduced in spite of the low operating rate of the company. Not even the threat of higher prices scheduled for the second quarter could hasten the placing of orders under the old level.

Efforts to reduce operating costs continue. According to the *Iron Age*, operations are being concentrated in the lowest cost plants, while some companies are shutting down plants for the next 6 months. The practice of spreading work among employees has been a relief measure largely and is likely to go by the board in the name of greater efficiency. Even this system yielded very little "relief" if it gave no more than one day's work a week, as was admitted by Mr. Grace of Bethlehem.

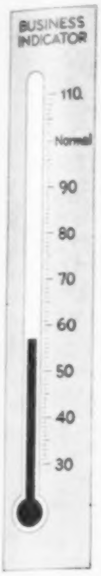
Automotive Market Slow

Automotive orders continue to hang over the market, but very little has fallen into the lap of the industry. Though Ford is reported to have received orders for over 300,000 cars, steel requirements for this number of cars have not been placed. A number of parts makers are ordering a little more freely. March passenger car sales for a limited number of states were not very encouraging. General Motors reported only a 4% gain over February in sales to consumers in the United States, compared with 47% gain in 1931 and a 40% gain in 1930. Sales to dealers actually declined instead of rising.

April construction data is not available at present. In the past, this month has shown increases more frequently

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*57.3	†55.6	78.4	....
PRODUCTION				
Steel Ingot Operation (% of capacity)	22	23	50	79
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,002	$3,571	$14,278	$18,753
Bituminous Coal (daily average, 1,000 tons)	*1,033	1,210	1,244	1,344
Electric Power (millions K.W.H.)	1,465	1,480	1,647	1,582
TRADE				
Total Carloadings (daily average, 1,000 cars)	91	94	121	149
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	63	62	85	103
Check Payments (outside N. Y. City, millions)	$3,939	$2,768	$4,271	$5,621
Money in Circulation (daily average, millions)	$5,475	$5,469	$4,647	$4,697
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.51	$.48	$.73	$1.14
Cotton (middling, New York, lb.)	$.062	$.063	$.103	$.164
Iron and Steel (STEEL composite, ton)	$29.74	$29.81	$31.59	$35.09
Copper (electrolytic, f.o.b. refinery, lb.)	$.055	$.057	$.097	$.143
All Commodities (Fisher's Index, 1926 = 100)	62.5	62.9	75.2	90.8
FINANCF				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,609	$1,595	$958	$1,179
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,173	$19,354	$22,845	$21,977
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,838	$6,883	$8,066	$8,672
Security Loans, Federal Reserve reporting member banks (millions)	$5,222	$5,328	$7,146	$7,115
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$485	$516	$1,849	$3,678
Stock Prices (average 100 stocks, Herald-Tribune)	$82.76	$86.04	$132.10	$155.05
Bond Prices (Dow, Jones, average 40 bonds)	$74.04	$76.74	$75.68	$96.39
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.6%	4.7%
Interest Rates—Prime Commercial Paper (4-6 months)	3½-3¾%	3½-3¾%	2¼-2½%	4.1%
Business Failures (Dun, number)	607	610	545	474

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

than decreases from the preceding month. The F. W. Dodge Corp. anticipates that the second quarter will show an increase of from 5% to 15% over the first quarter, with particular improvement in the residential group.

Engineering News-Record reports heavy construction awards in the first half of April in somewhat greater volume than the weekly average for March.

Coal Production

Cold weather needs have apparently been satisfied, since the production of both anthracite and bituminous has fallen off sharply in the 2 weeks ending Apr. 2. The adjusted index declined to 55% of normal compared with 61% the preceding week. Part of the tonnage decline, however, can be laid to the observance of the 8-hour day in some fields. March bituminous output was 15% greater than in February and less than 5% below a year ago, largely due to the stimulus of cold weather. Weather conditions also affected the output of anthracite which gained 19% over February and was fractionally greater than a year ago.

Electric power production continues to decline to the 1928 level, reflecting little change in the industrial demand for power. The slight improvement in the comparisons of the various regions of the country with a year ago seem due to the fact that production declined more rapidly last year in the same 2 week period than occurred this year. The adjusted index remains unchanged at 73% of normal.

The detailed analysis of February consumption compared with 1931 reveals improvement against the January showing, but again this gain must be discounted because February, 1932, had an extra day due to leap year. Domestic consumption of electric current still maintains a 2%–3% margin above last year. Sales of electrical refrigerators are being vigorously pushed.. In the first 2 months over 86% of the set quota was sold.

The sharp decline in coal loadings during the week of Apr. 2 has again forced total loadings into low ground, just as it forced the peak in the middle of March. The chief encouragement lies in the slight increase in shipments of manufactures as reflected in the miscellaneous and less than carlot freight. The adjusted index based on these groups gained one point, standing at 55%.

Check Payments

The gyrations in the volume of check payments have been exceptionally violent this year and have influenced the fluctuations in the combined business index. For the week of Apr. 6, a 42% gain occurred compared with the preceding week in the 140 cities outside of New York. The adjusted index moved from the revised figure of 61% last week to 68% for the present week. Trade bills, dividend and interest payments probably accounted for the sharp increase.

These same factors probably forced an upturn in the volume of currency outstanding, the first increase in many weeks. Our adjusted index remains unchanged at 47% above normal.

Commercial loans continue to be contracted in spite of government effort to force easier credit. A new drive is now being discussed to induce more lending on the part of banks. The adjusted index remains 7% above normal.

Commodity Prices

Commodity prices continue irregular, though the general impression is of a heavy tone. The outstanding rise is coffee, which has steadily risen since the beginning of the year, indicating that the destruction-of-coffee program has been more effective than the most sanguine anticipated. The grain market has also given evidence of strength since the week end, chiefly on the news of a sharp decline in the 1932 winter wheat crop and the delayed seeding of the spring wheat. Prospects for sale of wheat abroad hinge upon the ability to finance the purchase, particularly in Germany and Greece.

Corn and cotton have also shown some improvement in the last few days. Sugar and silk have receded to new lows, while rubber and cocoa give no hint of firmness. Hides were irregular, hog prices below a week ago, and cattle up slightly.

The nonferrous metal markets continue to report dull business, though a slight betterment is expected from the automobile centers. Copper was steady at 5⅜¢ a pound delivered, equal to the all time low for first hand copper. Zinc and lead were steady. One large lead smelter is to be closed from May 1 to the fall. Tin and silver turned downward.

Trends of the Markets In Money, Stocks, Bonds

Federal Reserve enlarges open market policy. . . Drastic reduction in bankers' bill rates foreshadows more favorable credit conditions. . . Stock averages drop to new lows, but prices show more resistance. . . Bond market continues to drift downward, with U. S. governments still a strong exception.

The Reserve Opens Up On Open Market Buying

INAUGURATION of a more vigorous open market buying policy by the Federal Reserve and the most drastic single reduction in bankers' bill rates on record were the outstanding developments in the money market during the week. It is reported that the Federal Reserve plans to increase U. S. government bond purchases from $25 millions to $75 millions weekly, thereby easing credit. Aim is to stabilize and then raise prices of commodities and securities through increasing the confidence of banks and encouraging them to resume normal lending policies.

During the week the Reserve banks purchased over $100 millions U. S. government securities, in contrast with purchases of only $13 millions the previous week. Reflecting general open market operations, borrowings of member banks decreased and total Reserve bank credit increased.

Another encouraging sign was the further decline in money in circulation reflecting a further decrease in hoarding. Except for such slight increases as occurred last week, money in circulation has been declining steadily since the beginning of the year.

Despite excess reserves estimated at upwards of $50 millions, New York banks continue to follow a policy of deflation of loans and investments. Accompanying the decline in the security markets, loans on securities declined, while investments in other securities increased.

Striking response to the change in open market policy was offered by the bankers' acceptance market. Short maturities were slashed $\frac{1}{2}$ of 1%—the fourth time this month—to the lowest levels since last August and near the lowest rate on record. This cut followed a $\frac{1}{4}$ of 1% downward revision early in the week. The usual rate of reduction is $\frac{1}{8}$ of 1%. The government bond market, as well as the acceptance market, profited handsomely with long-term as well as short-term listed issues, nearly all making new highs during the

The cut is probably an effort on the part of bill dealers to dislodge holdings in banks estimated at $300 millions. Lower yields are designed to encourage banks to make other commitments in which higher yields are available, thus spreading the benefits of easy money policy more widely. The New York Federal Reserve Bank remained passive to the excitement in the bill market, refusing to reduce its buying rate.

Lowering of bill rates has not frightened capital away for employment abroad. Furthermore, no outflow of funds abroad is in evidence as a result of these changes.

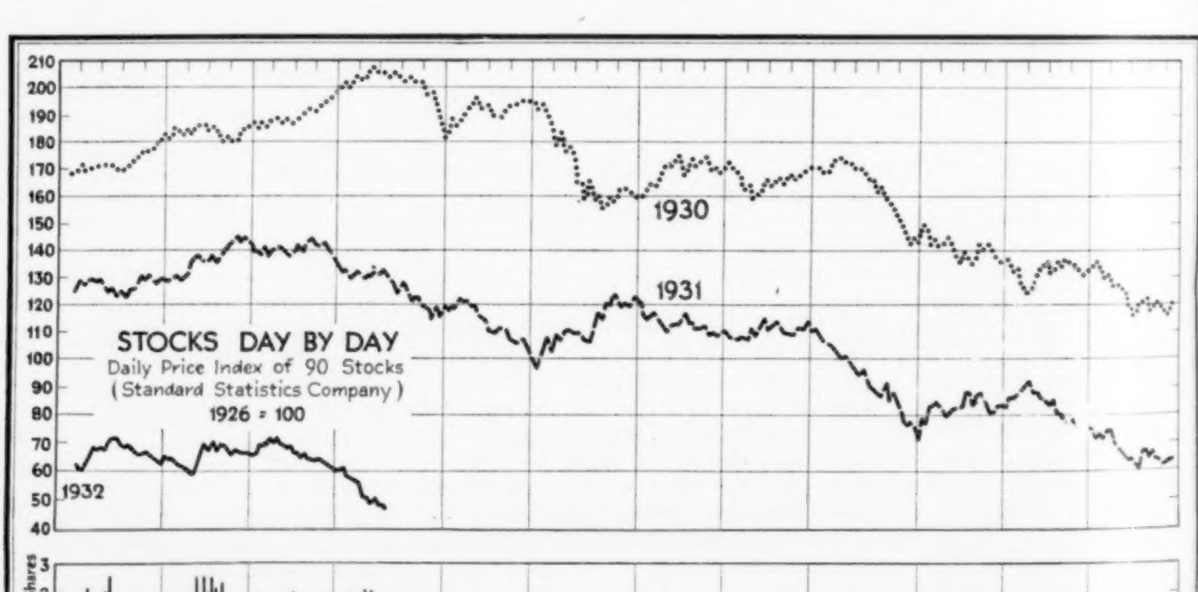
Gold exports continued, mostly going to France. Brokers' loans were off, due to the stock market decline.

Foreign exchange reflected these developments by showing an upward trend for francs, sterling, belgas, marks; Swiss francs and lire closed lower.

Stocks Keep Dropping Despite Some Good News

THE stock rally started by short covering on notice of the Senate's new bear hunt failed to carry over the week-end and the market resumed its downward course. However, it displayed somewhat stronger resistance than in the previous week.

Liquidation, which the Stock Exchange president blamed in his Senate defense of short selling for the recent decline of stocks, is still in evidence.



Nothing in outside news has so far been able to check the selling movement. The recent sensational rise in the price of wheat had little effect, and the announcement in the middle of the week of Federal Reserve plans to increase purchases of government bonds, in furtherance of its credit expansion policy, did not prevent stocks from falling to new low levels.

The situation continues to be dominated by the absence of any encouragement in the industrial picture, dividend uncertainties, and other unfavorable factors. Steel operations have shown a further drop in output, though there is still hope of an upturn as result of increasing automobile production. The persistent decline of carloadings has a depressing influence on the railroad list, despite the fact that the last figures revealed an actual increase in less-than-carload freight, with coal entirely to blame for the decline. Commodity prices, for whose upturn share values have long been waiting, still show no reversal of trend. Then, too, the tax and other financial uncertainties in Washington are far from conducive to a bullish market.

Utility Bonds Show Most Resistance to Declines

THE bond market was practically the same kind of an affair as in the preceding week, with all sections, except the U. S. governments, on the downgrade. The further decline this week has brought the industrial, railroad, and utility issues to new low levels, but the foreign government list is still above its earlier bottom.

It is now more than 5 weeks since the trend of bond prices turned downward. Although a temporary rally may be expected, there is as yet no sign of such prospect.

Some Railroad Rallies

From time to time during the week slight rallies took place in the railroad list in response to some favorable news, like I.C.C.'s approval of the $18-million loan to the Cotton Belt, but they were short-lived. Utility bonds as a whole showed more resistance to further decline and in the middle of the week the trend of this group tended to reverse itself. The appearance of somewhat more favorable power production figures, as compared with the preceding week, was a help.

The foreign government bond section was a little steadier, mainly in the European issues. The firmest tone in this group was displayed by the British obligations, reflecting encouragement over the recent upturn in the British financial situation. Latin-American issues were generally weak.

Heavy trading in U. S. Treasury bonds continued this week, and all issues touched new highs for the year. A fresh stimulus was provided by further lowering of bill rates and by the New York Federal Reserve governor's statement that the Reserve system had decided to increase its buying of government bonds.

THE BUSINESS WEEK

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Economy and Common Sense

THE curtailment of public construction work practically to the vanishing point under pressure of the economy complex that is paralyzing public administration in this country is not only a powerful deflationary force intensifying the depression but is the most stupid kind of economy to practice. As we have repeatedly pointed out in these pages, the only possibility of promoting business recovery is by restoring the purchasing power of consumers, and this means applying credit or currency expansion at that point in the economic circle at which it will do so most speedily—which is in the hands of the unemployed.

Public business is almost the only business left which can expand in the present situation unhampered by considerations of immediate profit. Suspension of public construction as well as most other aspects of economiserliness in public expenditures, is cutting off the principal remaining source of consumer purchasing power and the sole immediate possibility of expanding employment.

With prospects for total construction for this year running about $3 billions below 1931, and for public improvements almost $1.5 billions below, it looks as though, through the suspension of public construction, we shall be adding a million workers to the ten millions unemployed at present.

This is not only a calamity deplorable from the point of view of the interest of business generally in maintaining a consumer market; it is equally deplorable from the point of view of sound economy. We may marvel at the immediate mental confusion of steel manufacturers who speed their salesmen on the sanguine task of selling more structural steel with sermons for the public ear on the necessity of cutting public expenditures which now constitute almost the sole source of steel demand; or of automobile manufacturers who cheer attacks of after-dinner speakers on governmental extravagance, a large part of which has consisted in laying tracks for cars that could not otherwise have been sold. We may smile at the unconscious inconsistency of subsidized shipbuilders who sign reports calling for less government in business, although it alone keeps them in business.

But why should a people in a country plunged into widespread distress in the midst of a *surplus* of private productive capacity and idle capital, natural resources and even consumption goods sufficient for unparalleled prosperity allow itself to be stampeded into panic and public penury by such appeals? It knows that the complex, fast shifting civilization in which it lives needs and will need an ever-increasing amount of social services provided by public improvements made necessary by new types of transportation and intensified urban congestion. It knows that it can purchase these improvements now much more cheaply than ever before, that it can profitably draw upon its future productive power to buy them now, and that it would be real economy to do so. It knows that there is no more reason why government should expect to cover the cost of such capital investments out of current revenues than for a private business concern to do so. Not only will these improvements pay for themselves, on the same principle that good roads have, out of the increased social efficiency they result in, but they will help to pay for themselves in the increased employment, purchasing power and business activity upon which all tax resources are ultimately based.

Increased expenditure for public improvements during depression is common sense economy; its curtailment is a form of social suicide, of which a free, sensible, and progressive people should be ashamed.

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